



**USAID**  
FROM THE AMERICAN PEOPLE

**Competitiveness Enhancement and  
Enterprise Development (CEED)**

# Project Annual Report (FINAL)

Year Two: October 2006 – September 2007



**NOVEMBER 30, 2007**

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International.

# Project Annual Report (FINAL)

Year Two: October 2006 – September 2007

**Prime Contractor:**

Chemonics International, Inc.  
<http://www.chemonics.com/>

**Partners:**

Crimson Capital Corporation  
<http://www.crimsoncapital.org/>

Dexis Consulting Group  
<http://www.dexisonline.com/>

**Contract No.:**

121-C-00-05-00711

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## CONTENTS

---

<b>CONTENTS</b> .....	<b>3</b>
<b>ACRONYMS</b> .....	<b>5</b>
<b>SECTION I</b> .....	<b>7</b>
EXECUTIVE SUMMARY & PROJECT HIGHLIGHTS .....	7
<b>SECTION II</b> .....	<b>9</b>
PROJECT OVERVIEW .....	9
A. Background .....	9
B. Results Framework .....	10
C. Staffing Plan .....	10
D. General Technical Approach for Year 2 .....	10
<b>SECTION III</b> .....	<b>13</b>
YEAR 2 TECHNICAL ACTIVITIES .....	13
A. Business Development Component .....	13
A1. Information Communications Technology Sector .....	13
A1a. Summary of Completed or Ongoing Activities .....	13
A1b. Progress against Activities Included in the Year 2 Work Plan .....	19
A2. Textile and Apparel Sector .....	20
A2a. Summary of Completed or Ongoing Activities .....	20
A2b. Progress against Activities Included in the Year 2 Work Plan .....	26
A3. Wine Sector .....	28
A3a. Summary of Completed or Ongoing Activities .....	28
A3b. Progress against Activities Included in the Year 2 Work Plan .....	35
A4. Financial Sector .....	36
A4a. Summary of Completed or Ongoing Activities .....	36
A4b. Progress against Activities Included in the Year 2 Work Plan .....	40
B. Business Environment Component .....	40
B1. Summary of Completed or Ongoing Activities .....	40
Activity 1: Facilitate the development of the wine sector strategy for Moldova .....	40
Activity 3: Promoting legal and regulatory reforms in CEED's target Industries .....	42
B2. Progress against Activities Included in the Year 2 Work Plan .....	48
C. Use of Short-Term Technical Assistance .....	49
<b>SECTION IV</b> .....	<b>53</b>
TECHNICAL AND ADMINISTRATIVE SUPPORT .....	53
A. Project Communications .....	53
B. Strategic Activities Fund .....	54
C. Administrative and Financial Management .....	55
<b>SECTION V</b> .....	<b>57</b>
RESULTS AND IMPACT .....	57
A. Quantitative Results .....	57
B. Qualitative Results .....	59
B1. ICT sector .....	59
B2. Textile and apparel sector .....	59
B3. Wine sector .....	60
B4. Finance sector .....	60
B5. Business environment component .....	60

<b>ANNEX A .....</b>	<b>63</b>
FINANCIAL REPORT – YEAR 2 .....	65
<b>ANNEX B.....</b>	<b>67</b>
DELIVERABLES – YEAR 2 .....	69
Work Plan.....	69
Monthly Reports.....	69
Quarterly Reports .....	69
Annual Reports.....	69
<b>ANNEX C .....</b>	<b>71</b>
INITIATIVES TO REVISE LAW AND NORMATIVE ACTS.....	71
<b>ANNEX D .....</b>	<b>81</b>
MONTHLY REPORT – FEBRUARY 2007 .....	81

## ACRONYMS

---

ADP	Agribusiness Development Program (USAID project)
APIUS	Association of Light Industry in Moldova
BAS	Business Advisory Services (EBRD-project)
BIS	Business Intelligence Service
CCNA	Cisco Certified Networking Associate
CEED	Competitiveness Enhancement and Enterprise Development
CIS	Commonwealth of Independent States
CM	Cut-and-Make
CMMI	Capability Maturity Model Integration
COP	Chief of Party
CTO	Cognizant Technical Officer
EBRD	European Bank for Reconstruction and Development
EU	European Union
ESIBG	European Software Institute – Bulgaria Center
GOM	Government of Moldova
GSB	Growing Sustainable Businesses (UNDP project)
ICT	Information Communications Technology
IR	Intermediate Result
KRA	Key Result Area
M&E	Monitoring and Evaluation
MDL	Moldovan Lei
MII	Ministry of Industry and Infrastructure
MoET	Ministry of Economy and Trade
MID	Ministry of Informational Development
MTEF	Mid-term Expenditure Framework
NGO	Non-governmental organization
NWG	National Working Group
PMEP	Performance Monitoring and Evaluation Plan
PMU	Project Management Unit
POF	Purchase Order Finance
RCI	Regional Competitiveness Initiative (USAID project)
RIA	Regulatory Impact Assessment
SAF	Strategic Activities Fund
SME	Small and Medium Enterprise
SMV	Standard Minute Values
SO	Strategic Objective
SPI	Software Process Improvement
TA	Textile and apparel
TACIS	Technical Aid to the CIS (EU program)
TOR	Terms of Reference
UNDP	United Nations Development Programme
U.S.	United States of America
USAID	United States Agency for International Development



## SECTION I

---

### Executive Summary & Project Highlights

Wine market diversification, productivity within apparel factories, better internal processes for software developers, new trade finance options for enterprises, and a more business-friendly operating environment were some of the principal objectives for the second year of the USAID-funded Competitiveness Enhancement and Enterprise Development (CEED) project, which is managed by Chemonics International Inc. with partners Crimson Capital Corporation and Dexis Consulting Group.

CEED is an important part of USAID/Moldova's economic growth portfolio. It is also aligned with the Foreign Assistance Framework, specifically the trade and investment, financial sector, and private sector competitiveness program areas, since it seeks to encourage the adoption of advantageous economic policies and to build the capacities of private and public stakeholders in the information communications technology, textile and apparel, and wine industries to stimulate accelerated growth.

During Year 2, the CEED team worked in two general directions: to support increased business opportunities in local and international markets, and to improve the business operating environment.

Initiatives underpinning the first direction varied by sector; depending upon the needs of client-enterprises and/or in response to special factors affecting the industry. For instance, several ICT activities were begun, and will continue in Year 3, aimed at addressing the acute labor shortage which is constraining the sector's growth and competitiveness. In the TA sector, CEED experts worked intensively with several export-oriented apparel manufacturers to help increase productivity, which makes these enterprises more attractive to foreign clients and enables them to use their current employees more efficiently. Finally, in the wine sector, efforts were aimed at helping a leading group of wineries to look for new European markets to counter the shock of the Russian wine ban.

A few highlights from these activities, which resulted from USAID/CEED's assistance, include:

- Three ICT companies launched, on a pilot basis, a software process improvement program with the European Software Institute – Bulgaria Center for IT Mark certification. This will improve their internal processes and give them additional competitive advantages. Better internal processes can also help them use their existing staff more effectively.
- Rug yarn manufacturer, Filatura-Ungheni (formerly Covore-Ungheni), has embarked on a process of continuous product quality improvement, securing its supplier relationship with rug factory, Moldabela, and moving them towards exporting woolen and synthetic yarns.
- Lingerie manufacturer, Olga Ceban, which sells its products under the Ravetti label, has fully launched its restyled label to appeal to a younger target market and position the brand more up-market to compete with imports. Early results have exceeded expectations, demonstrating the product's new price-value ratio and marketing efforts have capture consumers attention.
- Seven leading wineries established the Moldova Wine Guild, a non-profit marketing association, dedicated to building recognition and awareness for its wines, raising Moldova's country profile on the international market, and developing the domestic wine market. The Guild is already attracting attention from wine journalists and critics, key opinion formers who are vital for creating the necessary interest from imports and distributors in export markets.

CEED's initiatives supporting a better business environment were connected with the regulatory reform process that began under the BIZPRO project with the so-called "Guillotine" laws. During

Year 2, CEED worked with public and private sector stakeholders in each target sector to help them implement the process prescribed by the Guillotine II Law (No. 235) – i.e. to review and analyze the entire spectrum of laws and regulations governing the fields of economic activity that each ministry or public body oversees, and then to propose changes or modifications that would streamline business activity and reduce the cost of doing business. By helping to convene public-private task forces and by offering legal assistance through a local business consulting firm, CEED helped sector stakeholders to propose 24 draft changes to the regulatory environment facing their sectors. These were included among the package of proposals submitted to Parliament for adoption by Dec. 2007. Issues which did not fit within the Guillotine II framework were addressed through other means.

In addition to its two principal directions, CEED also supported initiatives aimed at increasing the availability of trade financing and funding for medium- and long-term durable assets. To address the first, CEED helped three banks introduce a flexible, short-term, transaction-specific trade finance product – Purchase Order Finance – which does not require traditional hard assets as collateral; rather assignments of receivables or inventories, etc. are used to secure the loan. By the end of September 2007, CEED's partner banks had issued 14 loans valued at nearly \$1.4 million. CEED also worked with a local leasing company, IMC Leasing, so that they can begin to offer financial leases for commercial equipment and machinery, here too minimizing the need for traditional hard collateral.

To date, CEED has worked directly with 30 client-enterprises and has indirectly benefited more than 70. Public events sponsored or co-sponsored by CEED have involved more than 500 members of the business community across the three target sectors.

Whilst implementing the technical activities outlined above, the project also maintained a vigorous outreach program for U.S. government stakeholders; the local business community, especially those in the three target sectors; and the Government of Moldova. Activities targeting the first group included the publication of eight success stories, several of which ended up on USAID websites, and also organization of several “VIP” site visits for visiting diplomats from Washington D.C.

From the financial perspective, by the end of Year 2, CEED had spent 44% of the total ceiling price of \$7,288,457 and 64% of the current obligation of \$5,000,000. Year 2 actual expenses (\$1,932,718) deviated from Year 2 projected expenses (\$1,955,664) by less than 1.2%. In addition, the project successfully leveraged over \$50,000 from other donors for joint-initiatives to support common clients.

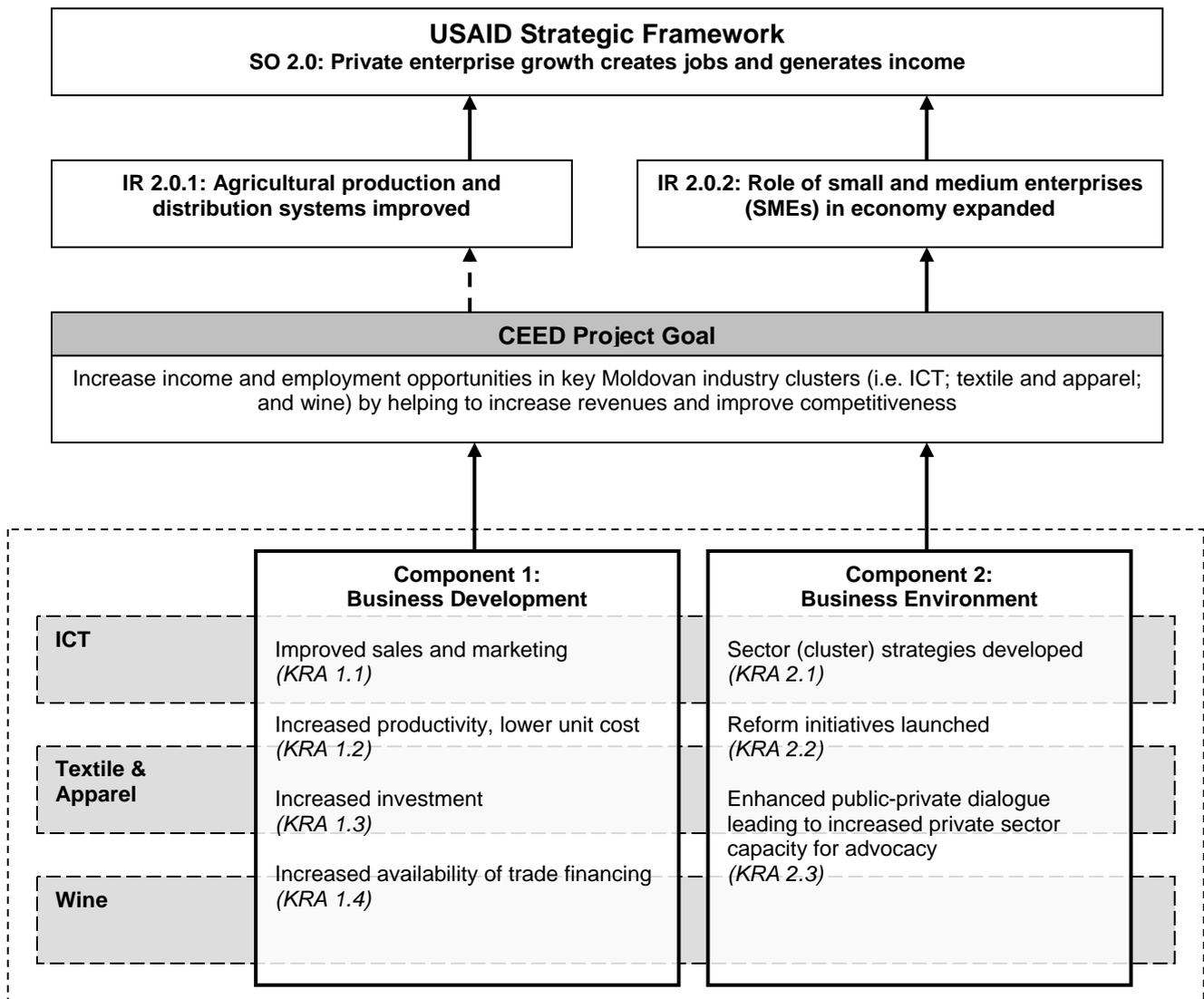
## SECTION II

### Project Overview

Chemonics International Inc. (Chemonics) and our partners Crimson Capital Corporation (Crimson) and Dexis Consulting Group (Dexis) are pleased to submit to the United States Agency for International Development in Moldova (USAID/Moldova) this Year 2 Annual Report for the Competitiveness Enhancement and Enterprise Development (CEED) project. This report covers the twelve-month period from October 1, 2006 through September 30, 2007.

#### A. Background

CEED is a five-year project (2005 – 2010) funded by USAID/Moldova. CEED seeks to enhance the competitiveness of Moldovan private sector enterprises within the global market with an emphasis on 1) information and communications technology (ICT); 2) textile and apparel (TA); and 3) winemaking. CEED is also working to establish a business environment that stimulates sustainable economic growth and promotes capital investment in these industries. The goals of the project are to develop new and better paying jobs for Moldovan citizens and to increase revenues, investment and financing for the targeted sectors.



## **B. Results Framework**

CEED is one of USAID/Moldova's key projects under Strategic Objective (SO) 2.0, "Private Enterprise Growth Creates Jobs and Generates Income." In addition to contributing to the achievement of SO 2.0, CEED also contributes to SO 2.0's Intermediate Result (IR) 2.0.2, "Role of Small and Medium Enterprises (SMEs) in the Economy Expanded."

In addition, CEED's goals are in line with the Foreign Assistance Framework – specifically the trade and investment, financial sector, and private sector competitiveness program areas – since it seeks to encourage the adoption of advantageous economic policies and to build the capacities of the private and public sectors in the three priority industries to stimulate accelerated growth.

CEED is designed around two complementary components, the Business Development Component and the Business Environment Component; under each there are several key result areas (KRA), around which discrete activities are grouped. Results at the KRA-level lead to results at the component-level, which in turn lead to results at the project- and SO-levels. These relationships are illustrated in the results framework on the previous page.

As noted in the Year 2 work plan, the results framework was revised somewhat from the one presented in Year 1; specifically, the ordering of the components was switched to emphasize the central role of the Business Development Component. In addition, separate KRAs were designated for activities leading to increased investment and increased finance. Finally, the KRA focused on the development of sector strategic plans was moved to the Business Environment Component. These changes do not affect the planned indicators and results.

## **C. Staffing Plan**

CEED's Year 2 staffing plan, shown on the adjacent page, was organized around the two technical components and was highly integrated with CEED's technical activities. The Chief of Party (COP), Douglas Griffith, oversaw both technical components and the administrative team.

Work under the Business Development Component was managed by Doina Nistor, CEED's Deputy Chief of Party. Competitiveness Advisor Larisa Bugaian managed much of the work under the Business Environment Component, and also held the position of Monitoring and Evaluation Coordinator. The sector advisors led activities in their respective industries, contributing to both business development and business environment activities.

The technical team was supported by an in-country Administrative Team, managed by Ruxanda Cheibas, CEED's Office Manager/Accountant, and by a Washington DC-based Project Management Unit (PMU), led by Home Office Director Chad Ford.

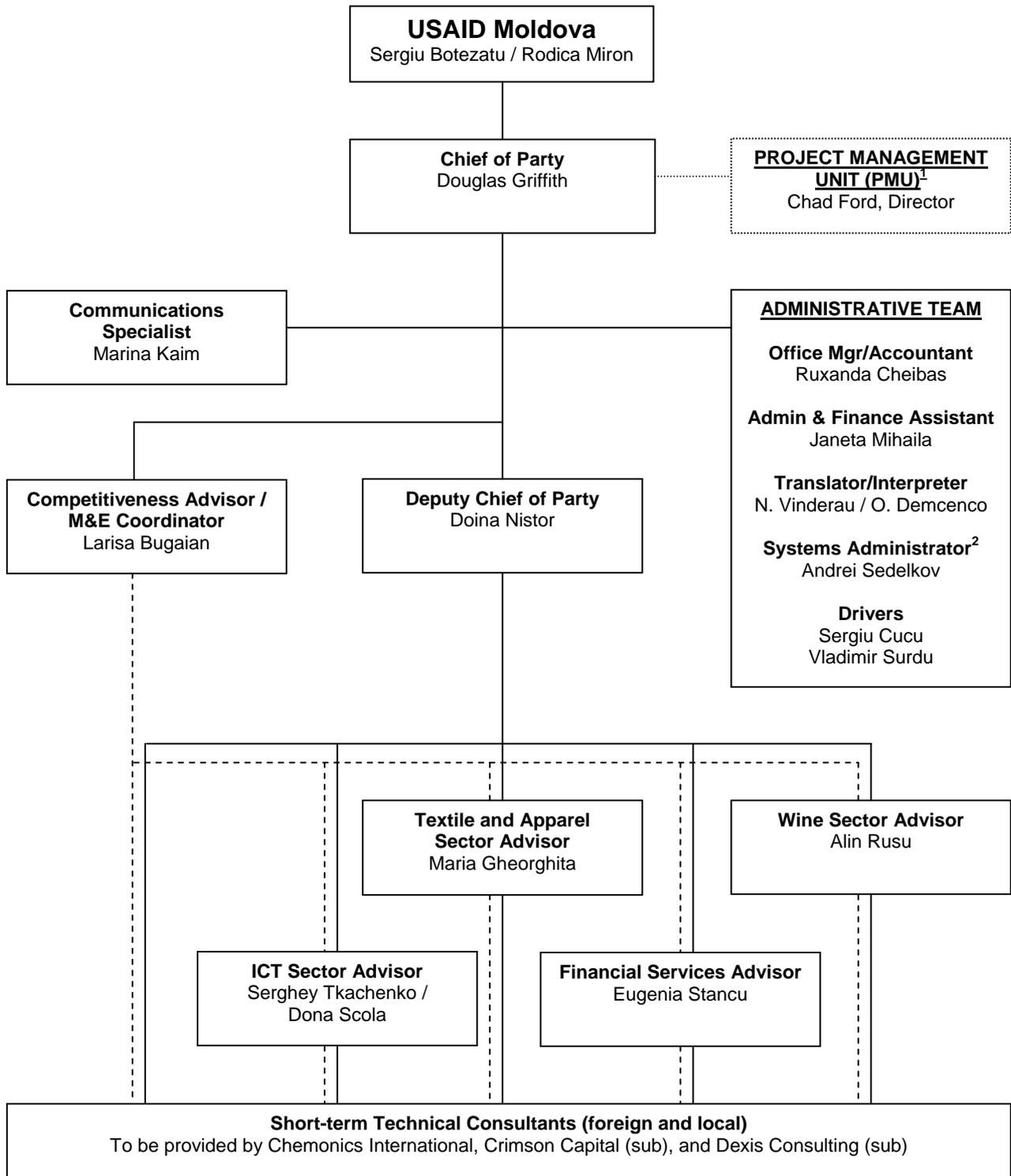
In Year 2, CEED hired a new ICT sector advisor, Dona Scola, and a new translator/interpreter, Olga Demcenco, after their predecessors resigned from the project.

Also, although not technically part of CEED's staffing plan, USAID appointed a new Cognizant Technical Officer (CTO), Rodica Miron, after Sergiu Botezatu took another assignment with USAID.

## **D. General Technical Approach for Year 2**

As stated in the Year 2 work plan, CEED's technical approach took into consideration the approach outlined in the contract and other factors such as lessons learned and shifting USAID priorities. Based on this, CEED's Year 2 approach was largely in line with its Year 1 approach; which is to say, the project worked mainly with a limited number of enterprises (client enterprises) in each of the three sectors, which satisfied the criteria specified in the box on page 12.

**CEED Staffing Plan – Year 2**



<sup>1</sup> PMU also includes: Ginger Elsea, Manager, and Krista Vogt, Associate

<sup>2</sup> Systems Administrator position is part-time

----- Dashed lines represent the management role which Competitiveness Advisor Larisa Bugaian, will play with the sector and financial services advisors on matters relating to legal/regulatory reforms.

However, CEED also tried to develop more industry-level activities that would foster the development of organic, bottom-up “clusters”.

In addition, at USAID’s request CEED supported sector stakeholders to participate in the Guillotine II process.

CEED had a number of successful company-level activities, particularly in the TA sector. Work in the wine sector was frustrated by the embargo on Moldovan wine exports to Russia;

nevertheless, CEED did work successfully with the 7 members of the Moldovan Wine Guild, as well as several other wineries during the year. Progress in ICT was slow because of difficulties providing effective firm-level assistance to enterprises with such diverse and enterprise-specific business models making it difficult to find and recruit the right consultants and advisors. Consequently, several industry-wide initiatives were launched after the arrival of CEED’s new sector advisor.

<b>Client Enterprise Criteria</b>	
1.	Strong market presence in local or international markets, or possessing demonstrated potential to increase exports or local sales
2.	Strong potential to expand or develop extensive forward and backward supply-chain linkages to other Moldovan enterprises, especially small and medium enterprises
3.	Strong commitment by management to undertake and contribute to the cost of activities to improve their capacity to market and sell their products, to expand existing production, or to develop new products and services that meet international buyers’ standards
4.	Strong potential at reasonable cost for technology or management systems improvements to create new jobs, increase sales, or enhance company productivity

In all sectors, progress toward “clustering” was limited due to the lack of organization within the sectors and general reluctance on the part of sectors’ companies to cooperate on joint initiatives. Evidence of this is the lack of effective, representative industry associations in all three of CEED’s target industries, though a few associations do legally exist. Until sector enterprises realize the value of cooperation and recognize that the sectors’ future – its success or failure – depends upon all of them, donor-led clustering initiatives are not likely to succeed. As a result, CEED did not do as much as it could have in this direction; but this attitude appears to be changing, especially in TA and ICT.

CEED’s work with sector stakeholders on Guillotine II issues was successful, resulting in 24 reform proposals, covering 9 laws and 8 normative acts – described further on page 44 – being recommended for adoption by Parliament. However, the lack of initiative and understanding on the part of the line ministries, which were to drive the process forward, and an overly ambitious timeline that invariably left ministries behind schedule – a situation which did not encourage meaningful, robust public-private dialogue – meant that CEED’s assistance was not as fruitful as it otherwise could have been. Nevertheless, CEED made very good progress and helped its beneficiary ministries to be more active, in general, than other ministries that did not benefit from any outside help.

## SECTION III

---

### Year 2 Technical Activities

#### A. Business Development Component

In this section, CEED describes activities carried out under the Business Development Component during Year 2, starting with the 3 target sectors and then ending with finance.

#### A1. Information Communications Technology Sector

Progress in the ICT sector has been slower than desired and expected. This is due in part to difficulties that CEED has faced with providing effective firm-level assistance in ICT – specifically because of difficulties in clearly defining enterprise-level, technical problems for a mix of highly specialized companies, each with different business models, and then to recruit the right consultant for that particular enterprises. In addition, a change of ICT sector advisors slowed progress. However, the project's plans for Year 3 are ambitious, yet clear and achievable.

##### A1a. Summary of Completed or Ongoing Activities

###### **Activity 1: Assist Dekart and RIT Labs to strengthening their marketing skills**

The objective of this activity was to help Dekart and RIT Labs increase sales and pave the way for medium and long term growth. This was done through marketing and sales efforts for the mass market. The target market for this assignment was the United States and North America. This required setting up proper procedures and work practices for the marketing and sales personnel of both companies to help them to:

- Review and supplement existing market research (extremely limited) and collect information about market segments, users' needs, and preferences;
- Teach the companies how to enhance the quality of their market research and information, and to introduce methods and systems for collecting and using this information in the future;
- Segment the market, select groups that can serve as a foothold for market penetration;

##### **Box 1. PRESS RELEASE November 1, 2007**

###### **USAID CEED Supports Several Moldovan IT Companies to Participate in the Systems 2006 Exhibition in Germany**

The USAID Competitiveness Enhancement and Enterprise Development Project (CEED), jointly with German-Moldovan Business Partnership Project, supported three leading Moldovan software developers to exhibit their solutions in the IT Security Area of the Systems 2006 trade show which took place in Munich, Germany from October 23-27, 2006. The companies participating at the trade show included RIT Labs, Dekart and Deeplace. Their participation at Systems 2006 gave them an opportunity to showcase their innovative security solutions to German and other EU business users, and was good platform for presenting products and solutions and building sales.

In addition to exhibiting their existing products, the companies presented several new solutions:

- RIT Labs ([www.ritlabs.com](http://www.ritlabs.com)) exhibited a new, mobile version of its popular e-mail client solution The Bat, called The Bat Voyager Pro, which was developed for traveling users with high security requirements. There is no similar solution which provides complete point to point security for the moment and which is so easy to use.
- Dekart ([www.dekart.com](http://www.dekart.com)) presented a new version of its Private Disk, a hard disk encryption software developed for securing personal data and a new SIM card reader which allows users to manage the content of their cards.
- Deeplace ([www.deeplace.md](http://www.deeplace.md)) highlighted their secured e-banking solution and their system integration services and experience.

The participation of Moldovan IT companies in Systems 2006 helped them to benchmark their solutions in the tough comparative environment and to demonstrate that technically Moldovan IT solutions are competitive, and in some areas go in front of the mainstream. The increased awareness of European users for the Moldovan companies' newly developed products will ultimately open the doorway to new market opportunities, contributing to their development and growth.

- Position their products and design a marketing message for their promotion campaigns;
- Identify the most suitable promotion, sales channels, develop the message, partnership terms (sales volumes, compensation, length of agreement, exclusivity, etc.), and initiate contacts.

CEED hired a short-term international consultant, **Monika Blaumueller**, with expertise in IT products marketing and promotion, who supplemented and updated the market research the companies have to date, and revised how companies collect marketing information and how they use this information for marketing and product development decisions and processes.

Ms. Blaumueller outlined key elements of a workable marketing strategy as well as the tactics to employ in order to reach specific goals. This will serve the companies to decide regarding further development of their products roadmap and entrance into new markets policies.

### **Activity 2: Assist Deeplace and Q-System to implement a national online payment system**

The purpose of this activity was to assist Deeplace and Q-System to develop their payment system into a sellable product and introduce it on a large scale in Moldova. It is an innovative product, which if successful, could help to lay the foundation for and stimulate e-commerce in Moldova.

During early discussions, CEED and the companies identified four areas of support, where both parties agreed to work together to help finalize and launch the product at the large scale, as followed:

- Development of IT security solution to ensure security of operation for small companies with weak IT infrastructure. This will include authentication technology, security data exchange protocols, encryption and IT security on the server part;
- Development of business processes and integration of the payment system to the existing IT infrastructure of Moldovan banks.
- Support in financial planning and legal issues (e.g. sample contracts with small clients).
- Development of marketing and promotion plan to introduce this system to the market.

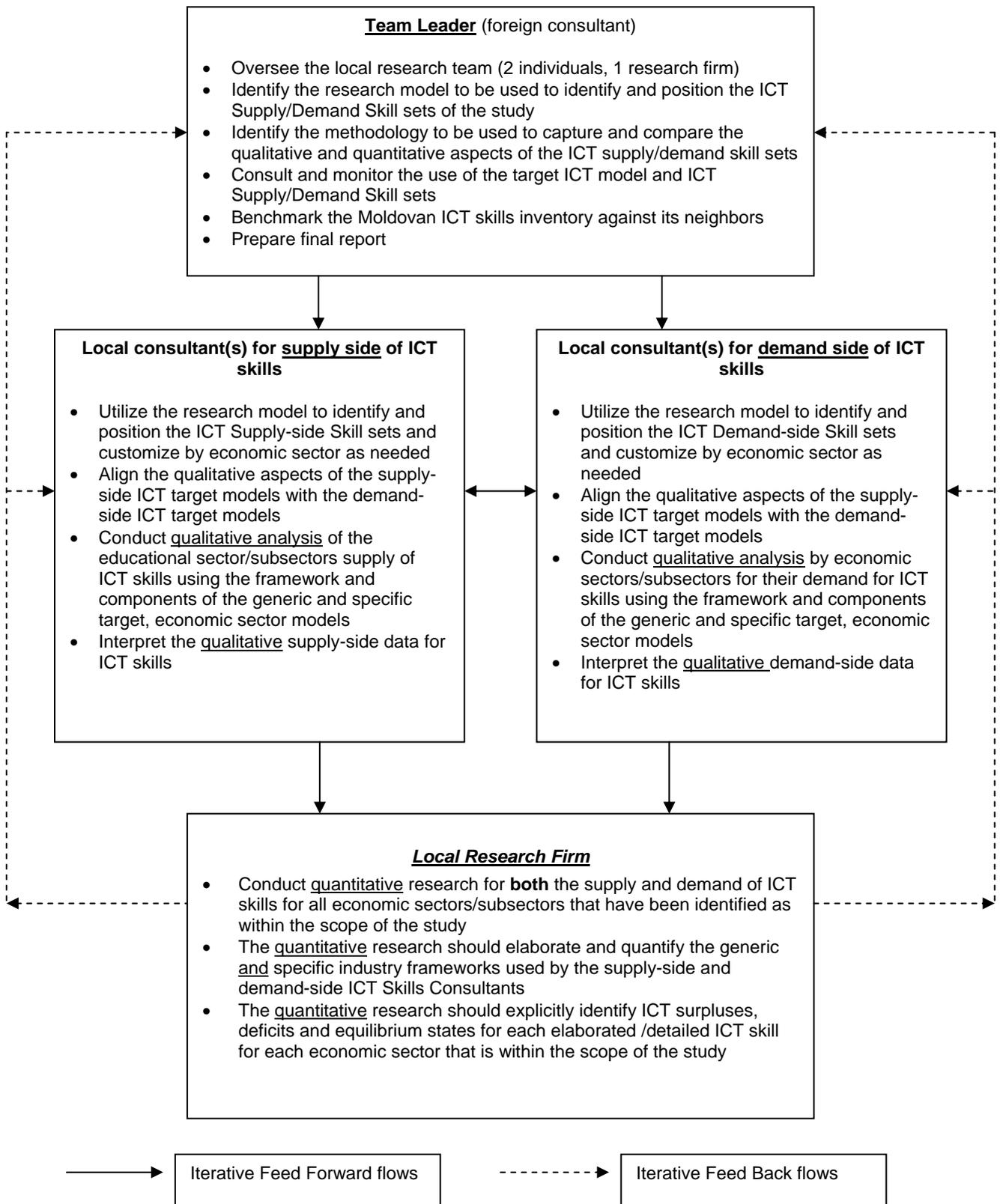
Before a large scale launching the payment system, particularly for use by SMEs with weak IT infrastructure, additional security measures must be put in place. As a prerequisite, an information security policy must be developed. This component was the first step of the project.

Local consultant IT security expert, **Vitali Tataru**, was contracted by CEED to develop an information security policy. However, the next stage (launching the product to mass market, awareness and advertising campaign) is highly dependent on decision of Victoriabank, the largest provider of Visa cards for natural persons, to offer on-line payments to its clients. This decision is still pending in Victoriabank due to the recent corporate changes in the bank. Consequently, it was agreed by all parties to postpone the next stage of the project until the Victoriabank position will be clarified.

### **Activity 3: Workforce development project for Moldovan ICT sector**

Development of a robust ICT industry depends in large part on the availability of a skilled and experienced labor force. Currently, there many complaints from private companies as well as policy makers about lack of ICT professionals in Moldova and the high salaries and emigration of those that do exist. Also, managers of ICT companies have the opinion that higher education in ICT does not meet their expectations and needs. However, there is no clear information regarding the market of ICT professionals in terms of experience, technological knowledge, areas of expertise, or soft (business) skills that the market demands. Also there is no supply-side information about the ICT labor force, such as the number of graduates from IT departments, the strengths and weaknesses of existing ICT educational curricula, or the motivation and objectives of the students. Therefore, CEED decided to commission a study to examine the supply and demand of ICT skills in Moldova. The team structure for the study is shown in Exhibit III-1 on the following page:

**Exhibit III-1**



The objective was to carry out comprehensive ICT skills research to determine the structure and characteristics of demand for ICT professionals in Moldova (demand-side), as well as the quantity, structure, and quality of supply (supply-side), i.e. graduates of ICT and ICT-related departments of Moldovan universities and training center, and then to use this information to identify gaps between them and strategies to bridge any gaps. The research surveyed an array of private and public enterprises and organizations.

The implementation scheme for the research employed a combined team of consultants – **Betty Gardner, Bill Snyder, Dona Scola, Alexander Colt, and Ionela Ciuhrii** – to undertake the qualitative analysis, interpretation, and writing, and a local research firm to carry out a quantitative survey as illustrated in Exhibit III-1.

Two qualitative reports on Business and Education players perspective and three quantitative reports representing managers, employees and students opinion on the situation with ICT skills were produced. Round tables inviting representatives of both business and educational communities to present and discuss findings and design development programs will be organized in fall.

#### **Activity 4: Cisco Networking Academies**

The relatively high demand for networking skills from the businesses was confirmed by the ICT skills research done by UNDP and CEED: 67% of managers mentioned Networking as crucial skills in their company and 51% are not satisfied by the quality of the studies in this field.

The Cisco Networking Academy (NetAcad) is a public-private partnership between Cisco, governments, education institutions, NGOs and industry created to teach students how to design, build and maintain computer networks. Through the Cisco Networking Academy Program, Cisco is passing its networking skills and sharing its intellectual capital with people around the world.

In the Moldova this program available from 2000 when the first local academy teaching Cisco Certified Networking Associate (CCNA), Fundamentals of UNIX, and Network Security was opened by DNT Association. The opportunity to boost the development of Local Academies first appeared in 2006, when DNT Association became a Cisco Regional Academy with the right to open and oversee up to 10 local academies. When the program will include more Local Academies bigger number of citizens will be able to receive one of most demanded specialties on the labor market of the country.

During Year 2, planning for this activity was started. Specifically, efforts to identify local colleges and universities that might be interested in becoming Cisco Local Academies were conducted. This activity will continue in Year 3.

#### **Activity 5: ICT companies Database**

For almost two years CEED worked at the company level to support some ICT companies in developing new products and improve their performance. Within this period, partner companies and other stakeholders underlined that there is lack of information about Moldovan private ICT sector, in particular a company inventory and their specializations. This information would be valuable to a variety of stakeholders, including potential investors and business partners. Hence, the need for an interactive database of ICT companies, available on the internet, has emerged.

The idea to create a database of ICT companies is not new. There were attempts to put together contact information on ICT companies and even publish it on-line, in particular within the [www.cominfo.md](http://www.cominfo.md) initiative; but this initiative lacked contact information and expanded info about business specialization and interests. In spite of these efforts, a comprehensive database containing relevant information about Moldovan ICT companies, their products and services and development interests does not exist yet. The need thereof was repeatedly mentioned by donors like UNDP, TACIS and governmental bodies responsible for ICT development policy.

Although development of the database was not originally planned for Year 2 CEED considered that all circumstances are developed in favor of this idea and the timing for it quite appropriate. Thus, in August 2007 CEED contracted a local consultant, **Ekaterina Televca**, to advise on the best practices in database development and design. She began working closely with the local ICT professional community and considered its specific needs. The specialist will take the leading role in the project, which will continue during Year 3, being responsible for completion of the following:

- Develop the Terms of Reference (TOR), in close collaboration with CEED, to be used in the selection and contracting of a local IT company for the creation of the database;
- Oversee the database development project so that work proceeds according to the TOR;
- Develop the method for collecting information from local IT companies and oversee its collection and entry into the database;
- Develop further project plans for subsequent phases, including but not limited to design of the ICT marketplace and on-line promotion.

The same consultant will supervise a local database development company which will be contracted by CEED based on a tender at the next phase of the project.

### **Activity 6: Software Process Improvement (SPI) program**

This project was not specifically included in the Year 2 work plan; however it can be classified generally as a type of “workforce development program”, which was planned. The need for an SPI program to support local IT companies to increase their internal processes and improve competitiveness was identified during the dialogue with companies and international experts.

In February 2007, an SPI awareness workshop was organized by CEED, with support from the USAID-funded Regional Competitiveness Initiative (RCI), and delivered by experts from the European Software Institute – Bulgaria Center (ESIBG) – **Ivaylo Gueorguiev** and **George Sharkov**. More than 10 companies attended. The concept of Capability and Maturity Model Integration (CMMI) was introduced, as well as ITMark, which is based on CMMI and designed to satisfy the specific needs of SMEs as a first step to continue process improvement.

#### **Box 2. PRESS RELEASE February 15, 2007**

##### **Workshop funded by USAID Project to Increase the Competitiveness of the Moldovan IT Sector**

Moldova's information technology sector (IT) will be increasing its efficiency, productivity, and ability to compete on the global market thanks to a workshop organized by the Competitiveness Enhancement and Enterprise Development (CEED) project, in cooperation with European Software Institute (ESI) Center in Bulgaria.

At the February 15 workshop over 20 software engineers from 14 Moldovan IT companies were introduced to commonly used software development processes and practices. Senior staff from ESI Center Bulgaria introduced the participants to process improvement methodologies such as the Balanced IT Score Card, Capability Maturity Model Integration (CMMI), and IT Mark, highlighting how these tools have been used effectively by software companies in southeastern Europe, particularly Bulgaria, Romania, and Serbia, whose experiences are relevant to Moldovan software developers.

Software developers worldwide rely on established process improvement methodologies to increase enterprise-level productivity and to enhance their attractiveness to potential clients. However, in Moldova these methodologies are relatively new and not readily used.

After the workshop, CEED and ESIBG developed a proposal to support up to 5 Moldovan IT companies with training, consultancy, and certification in ITMark. CEED solicited interest from all the IT companies that were invited to the workshop. Several expressed interest. CEED followed by presenting a technical and financial offer to the companies, explaining the program and what they would be required to pay, after taking into consideration the available financial support from CEED and RCI. Three companies committed to the ITMark program and signed contracts with ESIBG.



**USAID**  
FROM THE AMERICAN PEOPLE

**Competitiveness Enhancement and  
Enterprise Development (CEED)**

# SUCCESS STORY

## Proactive Marketing Brings Exposure

**Trade publications and shows move Moldovan IT firms into the mainstream**



PHOTO: SERGHEY TKACHENKO / USAID CEED PROJECT

*A representative of Dekart (right) demonstrates the company's Private Disk application to a buyer from Japan.*

***"The trade show was a workable platform for sales and communication with the market. But this is no time to relax. We are moving forward into a true IT solutions vendor," said Valeri Anestiadi, CEO of Dekart.***

Dekart and RitLabs, two leading Moldovan information technology (IT) companies that offer advanced data security solutions, have made a breakthrough on the international market with help from a USAID competitiveness project. Both companies sell sophisticated data encryption software that, while popular with professional users in the Western market, had made limited inroads among everyday users until recently. Marketing assistance from the USAID team is helping both firms raise their products' profiles.

A project consultant with extensive experience in IT marketing worked with the two companies to develop effective and low-cost ways of penetrating new segments of the Western market. Aware that everyday users tend to stick to well-known brands, the consultant recommended proactive marketing to increase user confidence in their products. A media campaign that targeted influential international media with information about the two companies resulted in over 20 publications and led to Dekart's Private Disk software being named the "Best of Year 2006 Award" winner by *Secure Computing Magazine*, a leading industry magazine for IT security professionals.

The media blitz was followed by USAID supporting the participation by the two companies in the Systems 2006 trade show in Munich, Germany, one of the most significant exhibitions and an important hub between east and west for the ICT industry. There, they had an opportunity to meet potential customers, observe market trends, and benchmark their solutions against those of competitors. The Moldovan booth benefited from high traffic and the companies gained dozens of productive business contacts for further sales growth.

Based on their success, both companies are planning to participate in the Systems 2007 exhibition. They are also working to expand their presence in the German market by attending more trade shows and hiring professional marketing consultants.

IT Mark is a stepping stone toward CMMI and includes other valuable features for SMEs, such as an assessment and appraisal of their business processes and information security systems. Thus, IT Mark is a three-dimensional program, directed at SMEs, covering (i) software process improvement, (ii) business processes, and (iii) information security. Its software process improvement dimension is designed to allow SMEs to continue on a path toward CMMI once a culture of software process improvement has taken root. However, it was agreed that the CEED and its partners would also organize the official Introduction to CMMI training if at least 15 paying trainees could be identified.

According to the final budget agreement, CEED will cover about 45% of the total SPI budget (CMMI training and IT Mark inclusive); RCI 30% and the companies 25%. Planning for this initiative spanned several months, as schedules and budgets were negotiated.

The project kicked off in September 2007 when 15 managers from 5 companies participated in the 3-day CMMI training. (See Box 3.) ESIBG sent a trainer, **Youri Metchev**, to Moldova to deliver the course. The IT Mark portion of the program began in October 2007.

**Box 3. TRAINING ENABLES LOCAL IT COMPANIES TO COMPETE GLOBALLY**

For the first time in Moldova, local IT companies participated in the official 3-day “Introduction to CMMI®” training course. Capability Maturity Model Integration (CMMI®) is an advanced process improvement approach that enables companies to increase performance and outcomes. This will improve companies’ competitiveness and differentiate them from competitors. CMMI is used by some of the world’s leading businesses including BMW, Bosch, IBM Global Services, KPMG, Motorola and Samsung.

The CMMI course was held September 13-15 in Chisinau and attended by 15 managers and engineers from 5 local IT companies. Two projects of the United States Agency for International Development (USAID) sponsored the training – the Moldova Competitiveness Enhancement and Enterprise Development (CEED) project and the Regional Competitiveness Initiative (RCI).



*CMMI trainer Youri Metchev from the European Software Institute Bulgaria Center illustrates one of CMMI’s principles on a flip chart.*

**A1b. Progress against Activities Included in the Year 2 Work Plan**

Activity Name	Status	Comment
Assist Dekart and RITLabs to strengthening their marketing skills	Completed	See Activity 1.
Support Dekart and RITLabs to participate in the Systems 2007 trade show	Cancelled	The companies decided not to participate this year in Systems.
Assist Deeplace and Q-System to implement a national online payment system	Postponed	See Activity 2.
Workforce development project for Moldovan ICT sector	Ongoing	See Activities 3 and 4. Work began to launch a software process improvement program and to expand the number of Cisco academies.
Employment of IT solutions in traditional industries to increase productivity	Cancelled	

Activity Name	Status	Comment
Promote cross-border communication with IT organizations in other countries	Cancelled	
Assist in raising the profile of Moldovan ICT industry events	Cancelled	
Organize a study tour for GOM decision-makers responsible for the ICT sector	Cancelled	

## A2. Textile and Apparel Sector

During Year 2, CEED made excellent progress in the TA sector, completing most of the activities outlined in the work plan. Activities were grouped around three client-types: garment companies producing for the local market; apparel factories producing on a cut-and-make basis for international clients; and to various stakeholders along the Ungheni rug value-chain.

### A2a. Summary of Completed or Ongoing Activities

#### Activity 1: Assist two Moldovan apparel companies that have “private labels” to deepen and expand their positions on the local market (i.e. to grow their businesses)

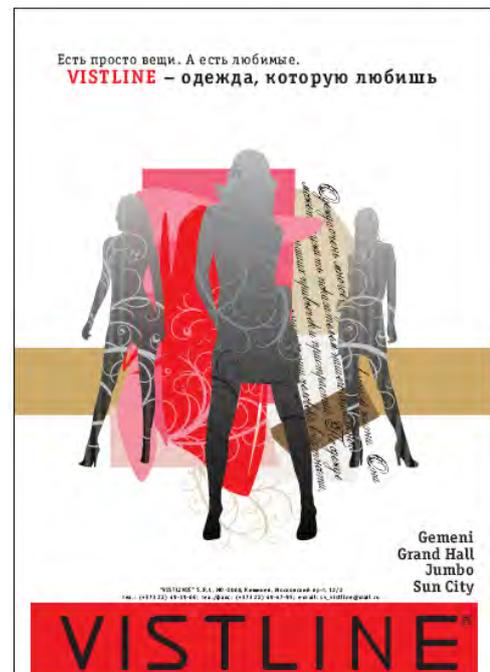
*Challenge.* The highest added value in the apparel industry can be only ensured by enterprises operating under their own trademark. In Moldova, during the last years, there emerged several enterprises which produce fashion garments under their own label. These enterprises sell their products just on the domestic market through their own sale networks. The competition on the domestic market is tough, particularly due to the presence on the market of many foreign producers of clothing and of well-known trademarks. However, Moldovan companies face difficulties in increasing turnover and they realize the importance of a coherent marketing approach, investment in branding and promotion, as well as better focus within their chosen segments.

*Initiative.* CEED assisted Vistline, which designs and manufactures its own lines of women’s wear, to create a strong trademark (brand). The assistance was provided in several phases. The project started with a market research, financed by CEED and commissioned to a local business, Magenta Consulting, which studied target consumers’ preferences for the product. Based on the information obtained, local marketing consultant, **Marina Djafavora**, developed a brand concept and promotion strategy. In parallel she worked with a local graphic designer, **Victor Luchian**, to develop a unique brand (Exhibit III-2).

CEED had planned to support a second company, Becteras, which manufactures children’s clothing for the local market. Initial discussions and negotiations regarding CEED’s assistance were carried out over several weeks; but when work was about to begin, it became clear that company was not ready to move forward. A mutual decision was taken to postpone the work indefinitely.

In addition, in Year 2, CEED continued to assist lingerie company, Olga Ceban, owner of the Ravetti brand, by assisting with consumer research that would permit tailoring of their brand strategy.

Exhibit III-2



Vistlines’ new trademark (brand).

*Results.* The assistance provided by CEED to Vistline has the following main results: (i) a new image of the trademark was developed which corresponds to the chosen target segment of the market; (ii) a new corporative style was created and implemented according to the new image of the trademark; (iii) Vistline commercial outlets were rearranged according to the new image of the trademark; (iv) the company began to market its new trademark; and (iv) Vistline started to updated its product lines according to the requirements of the target market segment.

An important result of this activity is that the managerial team understood that success in business depends significantly on the development and implementation of a marketing plan, including a promotional plan that would contribute to the formation of the demand. In the 4<sup>th</sup> quarter of 2007, the enterprise sales increase over 3 times in comparison to the same quarter of the last year. An important share of this increase, according to the enterprise director, is due to the new attitude of the enterprise towards sales, an attitude fostered by the CEED project assistance.

As for Olga Ceban, the enterprise has successfully started the implementation of the marketing plan suggested by CEED by launching a new product line for the target market segment. There were investments made in the creation of the new image of the Ravetti trademark worth of approximately \$13,000. The new trademark was launched in August 2007 by opening a commercial outlet in Jumbo commercial center, and during the first 2 months generated 110,000 MDL in new sales. The company also hired a dedicated marketing manager.

### **Activity 2: Assist Moldovan carpet company Moldabella to penetrate the US market**

*Challenge.* Moldovan rug manufacturer Moldabela is located in Ungheni in the same premises as its sister-company and CEED-client company Covoare-Ungheni. It employs approximately 350 people. The company has invested considerably in upgrading its technology and now produces high quality woolen and synthetic area carpets. Moldabela is focused almost exclusively on exports. Its key markets are Central and Western European countries and CIS states. Moldabela uses an automated design process, which allows it to adjust patterns and designs as needed. The production capacities are underused and there is room for additional business. Consequently, the company needs to enter new markets, which would lead to increased sales and higher efficiency. The U.S. is a promising market in terms of use of carpets, but also size and potential generating of sales.

*Initiative.* However, Moldabela has not been able to establish an efficient sales channel, leading to long lasting trade partnerships with U.S. market. Therefore, CEED began working with Moldabela to consider a U.S. market entry strategy. American designer, **AnnMaria Baldine**, with experience in the U.S. rug industry, advised Moldabela on styles and colors that would appeal to American consumers. In addition to offering many good ideas on product designs, Ms. Baldine recommended attendance at one of the biggest rug exhibition “Surfaces Expo” in Las Vegas, Nevada.

*Results.* Moldabela accepted the entry strategy proposed by AnnMaria Baldine. They decided to organize in January 2008 an invitation-only presentation in a hotel room rather than exhibit on the show floor. This decision was made because the company is also attending a large textile trade show in Hanover, Germany in the same month and they are not able to prepare for both. The company started to design rugs for presentation in U.S. taking into consideration the following ideas proposed by AnnMaria: (i) the uniqueness of both the contemporary and traditional collection of rugs inspired by the embroidery patterns of traditional costumes will be determined by each artists’ interpretation of the idea;(ii) to create a simple line of rugs in natural colors made exclusively from Moldovan wool.

### **Activity 3: Assist selected Moldovan apparel companies that operate using a cut-and-make (CM) scheme to develop and implement strategic sales plans**

*Challenge.* Research shows that in order to be attractive for foreign clients as cut and make (CM) services providers, the standard minute cost is decisive factor, and currently Moldova is still attractive due to the most competitive minute cost in the region. This advantage, as well as the quite favorable



**USAID**  
FROM THE AMERICAN PEOPLE

**Competitiveness Enhancement and  
Enterprise Development (CEED)**

# SUCCESS STORY

## Rise in Productivity Yields New Clients

**USAID contributes to productivity and technology enhancements in Moldova's apparel sector**



PHOTO: MARINA KAIM / USAID CEED PROJECT

*A Dana employee works on a clothing pattern on the company's new CAD system.*

***Improvements in apparel quality due to technology and productivity enhancement at Dana have led to new clients. "We are just at the beginning; we have big plans and are enthusiastic," says Victor Jamba, Director of Dana.***

In the northern Moldovan town of Soroca, the Dana apparel company is reaping the benefits of its productivity enhancement program. Dana, one of Moldova's oldest companies, specializes in sophisticated clothing for women and employs more than 400 people, 90 percent of whom are women. While Dana has a rich tradition of apparel production, it recognizes that embracing new techniques will improve its business. Dana's traditional process required much time and resources to complete each clothing order, leaving little time to pursue new opportunities with higher-end clients.

As part of USAID's effort to improve the competitiveness of the Moldovan apparel industry, a productivity enhancement program was tailored to Dana's needs. After a productivity audit and assessment, USAID helped Dana optimize workflow and introduce a performance monitoring system that allows seamstresses to track their productivity and helps managers identify and eliminate bottlenecks. Technology investment recommendations were provided, in this case, for pattern design automatization equipment to reduce the time needed to process new styles received by clients. Dana invested in the computer aided design (CAD) system and USAID provided the necessary training. "The equipment isn't useful unless we know how to use it," says Victor Jamba, Director of Dana. The advanced system allows Dana to create and receive clothing designs digitally and collaborate with clients via email.

As a result of these improvements, Dana's productivity in the design phase has increased by 26 percent — it now takes on average four fewer days to complete an order. Armed with faster delivery time and new technologies, Dana has attracted a new client, Dutch fashion retailer M&S, and is in initial discussions with H&M and Candy. "Without CAD, we would have never had new clients," states Jamba. The new orders have allowed Dana to modernize its facilities with new air conditioning units to improve working conditions. More investments in employees and equipment are in the works.

geographic location (in proximity to the European market) attracts many clients to Moldova to order CM services from local apparel's enterprises. This situation could represent a long-term advantage for the branch, but with a low productivity and small incomes for seamstresses, there are problems both in terms of staff (high rates of fluctuation and staff lacks) and in terms of the enterprise efficiency (cost per unit of product is quite high and a rather small contribution margin).

*Initiative.* To address this issue, CEED provided support to enhance productivity within several CM-oriented apparel companies. Assistance was provided to two groups of companies. The first group, Dana, Rada and Infinity were assisted by international consultant **Mats Nordquist** and local consultant **Demian Usanli**. The second group of apparel companies, Eurotextile, Gabiny, and Artizana, were helped by international consultant **John Haycock** and by the local consultant Demian Usanli. The Haycock-Usanli team worked with companies in three stages: (i) during the first stage, they performed an audit on productivity for the companies, including the examination of work and production methods applied by each factory. Based on this audit, improvement measures were developed for each enterprise to increase productivity; (ii) during the second stage, each enterprise was helped to implement good production practices and work organization, which consisted of: KPI calculation, Industrial Engineering, Introduction Procedures for the New Styles, Production Plan elaboration and training for supervisors; (iii) during the third stage, the local consultant continued the assistance in regards to the optimization of production lines' organization for all 4 companies.

*Results.* During the implementation phase of the consultants assisted each company to eliminate the areas of weakness identified such as poor planning, inadequate control of the plan, lack of discipline in the collection of data, a lack of communication at all levels of employee and training provided to advisors. Working closely with the companies the following reports were developed and introduced: Key Performance Indicators, Operator Hourly Production Report, Supervisor Line Balance Sheet, Capacity Check Sheet, Skills Inventory Matrix, and Daily Efficiency Line/Factory Report. The local consultant assisted companies in implementing an appropriate Industrial Engineering that included planning of sewing lines, establishing the Standard Minute Value for each operation and the continuing improvement of handling methods and workflows.

Due to the assistance the productivity increased in average in Gabiny by 26%, in Artizana by 14%, in Eurotextile by 21% and in Infinity by 6%. This led to sales increases and allowed the companies to maintain their competitiveness in the region. The productivity increases led to increases of operators' salaries – i.e. in Infinity salaries increased by approximately 30% due to productivity increases.

#### **Activity 4: Assist Covoare-Ungheni to increase yarn quality and increase productivity**

*Challenge.* Covoare-Ungheni (CU) is a rug yarn manufacturer in Moldova. It is a key company in an important rug value chain, supplying 100% of the woolen yarns used by rug company Moldabela. It is a large employer in Ungheni, employing approximately 300 people, many of whom are women. During the past five years, the company has re-equipped the washing, cleaning, scouring and spinning facilities. However, it continued to face problems with the quality of its yarn. The problems were showing up in the final rugs produced by Moldabela and their customers were complaining. In response, Moldabela told CU increase its yarn quality or risk losing Moldabela's business. The specific problems were described as (i) striping, appearance of color-related stripes in the carpets with large mono-color areas, especially light colors, (ii) staining, appearance of stains when water was spilled on carpets; and (iii) unraveling (or untwisting) of yarn when trimming the carpets.

*Initiative.* CEED provided CU with support to improve its yarn quality, beginning in Year 1 and continuing in Year 2. In February 2007, spinning expert Kevin Lordan returned to Moldova to help the companies technical staff develop solutions to the problems noted above. He helped the team to properly calibrate and test its equipment for maximum performance. He also recommended investments in key laboratory equipment for allow for continuous improvement.

*Results.* CEED's assistance in the spinning department has helped the company to solve the problems that it was facing with its yarn quality. Moreover, the assignment brought significant savings in raw material losses. The General Director estimates that CEED helped CU save another €1 million from Mr. Lordan's assistance. The assistance will also increase CU's revenues, which had been reduced due to penalties assessed against it for poor yarn quality. In addition, jobs for its current labor force have been protected and increases are likely. See Box 4 below:

#### Box 4. Protecting Jobs for a Better Future



*Yarn spinning consultant Kevin Lordan works to calibrate equipment at Covoare-Ungheni factory*

*Ungheni* - Losing its only client would have been a serious blow for Covoare-Ungheni, a producer of wool carpet yarn. Most critically, it would have placed several hundred jobs at the factory in jeopardy. This possibility was very real for Covoare-Ungheni, which was experiencing yarn production problems that were impairing the quality of the yarn it supplied to Moldabella, a Moldovan carpet manufacturer. The faulty yarns were damaging Moldabella's finished carpets, and customers had begun to complain. Moldabella had already put Covoare-Ungheni on notice: fix the problems or risk losing Moldabella's business.

USAID's CEED project, working to improve competitiveness in the textile industry, provided Covoare-Ungheni with access to international professionals with decades of experience in the wool carpet business. First USAID sent an expert to examine dye house operations, believing that was the source of the problem. When it was determined that the dyeing process was fine, with only minor improvements needed, USAID brought in a spinning consultant to assess that process. Working with Covoare-Ungheni technical staff, the consultant found that the essential yarn quality problems could be solved with minor changes to existing spinning machinery, including proper calibration, and with investment in critical ancillary equipment. The consultant calibrated the equipment and trained Covoare-Ungheni staff to do it themselves in the future.

Yarn quality has improved significantly, helping to eliminate the defects that Moldabella was experiencing in its finished carpets and protecting Covoare-Ungheni's position as Moldabella's sole supplier of woolen yarns. Most importantly, this has protected hundreds of jobs. Moreover, USAID saved Covoare-Ungheni from unnecessarily spending an estimated \$1.5 million in changes to its dye house procedure, and an estimated additional \$1.4 million through process changes in the spinning line.

#### Activity 5: Assist in organizing apparel production processes for start-up enterprises

*Challenge.* In 2007, Moldovan designer Georgeta Iahia launched two small businesses to produce women clothes, especially blouses from fine fabrics in demand by well known European brands such as Max Mara. Orders from such clients are typically in small batches with different styles and short delivery times. This type of production requires very good production organization and flexibility. Because Ms. Iahia is a designer by profession, she lacked the knowledge in production management and needed assistance in order to organize the initial production flows in her companies.

*Initiative.* CEED assisted by providing international consultant **John Haycock** to work with Ms. Iahia. He put in place the basics of a production management system at both enterprises. He helped the companies to establish the roles and responsibilities of management and to develop a series of procedures to cover all aspects of the manufacturing process and to improve the management performance through training. He also gave training for how to setting the Standard Minute Values (SMVs) for each operation, because the person setting the SMVs must be able to carry out capacity checks and improve handling methods. Mr. Haycock also gave training in all of these techniques.

*Results.* CEED assisted the enterprise in properly organizing the production, which enabled the enterprise to use staff more efficiently. This led to an increased volume of completed orders. Due to the good production and labor organization, the enterprise succeeded to double its volume of sales. Given that the quality and the delivery deadlines were respected, Manufacture del Nord placed a



**USAID**  
FROM THE AMERICAN PEOPLE

**Competitiveness Enhancement and  
Enterprise Development (CEED)**

## FIRST PERSON

# Moldovan Fashion Maven Takes on Milan

**New marketing materials  
and proper production set-  
up allow clothing business  
to thrive**



PHOTO: MARINA KAIM / USAID CEED PROJECT

***“USAID’s help in  
efficient workflow  
organization allowed us  
to fill our first significant  
order at a high-quality  
and on time.”***

*— Georgeta Leahia, Moldovan  
designer and entrepreneur*

Georgeta Leahia grew up wanting to be a clothing designer. Her talent attracted her first clients when she was just 17. Encouraged by her early success, she attended London College of Fashion and graduated in 2003. Then, Georgeta returned to Chisinau, Moldova and opened a small tailor shop, Georgeta Design, employing seven people. By most standards, she was successful, producing clothing for scores of local residents. But Georgeta dreamed of accomplishing more. She completed small orders for companies, but most of her work was for individuals, and she wanted to grow her business.

Georgeta first needed to show her clothes on the international stage. In 2006, USAID helped Georgeta prepare for international specialty textile trade shows by having her work professionally photographed and developing brochures. Georgeta took her collection and new marketing materials to the Ready to Show Exhibition in Milan, one of the largest international clothing exhibitions.

At Ready to Show, Georgeta established several contacts with foreign buyers, presenting the opportunity to expand her business outside of Moldova. Though Georgeta has always been a talented designer, she lacked the production organization skills necessary to grow her business further. So USAID provided her with an international consultant who was knowledgeable about production flow and could help her prepare to take on the new business.

Thanks to Georgeta’s talent for design, the connections she was able to make at the trade show in Milan, and the supply chain assistance, Georgeta’s business is thriving. She still owns the tailor shop, but she has built a new, industrial-size enterprise called Actual Confectii, which employs 40 people and has the capacity to expand. She recently completed an order of 3,000 pieces in three styles for fashion giant Max Mara. “The experience of working with Max Mara, in combination with the advanced production organization assistance provided by USAID, will pave the way to making my dream of becoming a full package designer come true,” says Georgeta. She is currently busy creating a new collection for the next trade show.

second order for approximately 6,500 pieces, more than 1.5 times the size of their first order. Since July 2007, Ms. Iahia has secured two new clients – Hed Fation and Gruppo Europeo Jersey Spa – and has produced nearly 2,000 articles for them, which is about 22% of her finished production.

### Activity 6: Support to wool collectors and sheep farmers

*Challenge.* Covoare-Ungheni buys wool from two sources: (i) 20% purchased from 2 local wool collector/traders who buy local wool and (ii) 80% imported scoured wool from New Zealand. There is a visible difference in the quality between these wools. Moldovan wool is greasy, dirty and short, while New Zealand wool is scoured, long, white and clean. Because Moldovan wool collectors do not sort the wool, CU must sort it, which adds time and cost to the yarn production process. In addition, there is a significant quantity of wool that CU must dispose of as waste. This constitutes a disincentive to CU to increase the quantity of locally-produced wool in their blends.

*Initiative.* CEED assisted to improve the quality of Moldovan wool supplied to CU. In particular, CEED provided an international consultant, **Owen Petrie**, who worked with the two wool collectors to help them improve their business practices and technology. Based on an examination of the clauses of the contract between CU and the two collectors and seeing the sample of wool being prepared for delivery to CU the consultant helped to identify and to introduce low-tech changes, such as more rigorous sorting, to improve the wool quality and to achieve the demand of CU.

*Results.* The both collectors adopted the recommendations of the consultant and starting with the 2007 season they began to sort the wool, separating the contaminated, substandard wool from the fleece wool that is intended for supply to CU. The main focus is on the removal of dags (clumps of fecal matter), vegetable matter, and short fibers. This increased the quality of wool supplied to CU. Before, the usable wool after washing constituted 35-45% and now it averages 50-52%. Also, the price paid by CU for sorted wool increased from 10.60 MDL/kg to 14.00 MDL/kg.

### A2b. Progress against Activities Included in the Year 2 Work Plan

Activity Name	Status	Comment
Assist selected apparel companies operating using a cut-and-make (CM) scheme to develop and implement strategic sales plans	Cancelled	CEED elected not to dedicate any resources to this activity fearing that it would not produce the desired result.
Assist two Moldovan apparel companies that have “private labels” to deepen and expand their positions on the local market	Completed	See Activity 1.
Assist Moldovan carpet company Moldabela to penetrate the US market	Ongoing	See Activity 2.
Assist selected Moldovan apparel companies that operate using a cut-and-make (CM) scheme to increase their productivity	Completed	See Activity 3.
Assist Covoare-Ungheni to increase yarn quality and increase productivity	Completed	See Activity 4.
Assist in organizing apparel production processes for start-up enterprises	Completed	See Activity 5.
Support to wool collectors, sheep farmers	Completed	See Activity 6.
Capacity increase of unskilled work force for Moldovan apparel companies	Cancelled	CEED and partners, IREX and Winrock, started this activity, but the selected vocational school withdrew from the program, citing dissatisfaction with the conditions of assistance (i.e. those required by the donor).



**USAID**  
FROM THE AMERICAN PEOPLE

**Competitiveness Enhancement and  
Enterprise Development (CEED)**

# SUCCESS STORY

## Building a World-Class Wine Brand

### **USAID assists Moldovan winery to launch new wine brand in UK**



*Acorex marketing staff present their new brand, "Taking Root," in Germany at the ProWein Trade Show.*

***Acorex's "Taking Root" brand is only the second modern wine brand developed by a Moldovan winery. Acorex's experience shows that Moldovan wine companies can compete in the global wine business.***

Few Moldovan wineries have understood or developed world-class wine brands that would appeal to Western consumers, and in the past they did not need to. Most Moldovan wine was purchased by Russian traders who did not require modern branding techniques. In fact, many Moldovan wine producers frequently changed their labels, with no thought to developing a loyal consumer base. The long-established wine trading system with Russia — a legacy of central planning — ensured that Moldovan companies always had a market for their wine. But in early 2006, wine trading relations with Russia changed abruptly, leaving Moldovan companies scrambling for new markets, including Western markets where modern wine branding is essential for developing sustainable business relationships.

One Moldovan winery, Acorex Wineholding, was quick to understand this and undertook the ambitious task of developing a wine brand that could compete in the UK with wines from around the world. But Acorex needed help. With assistance from USAID, Acorex was able to secure the services of a specialty wine brand design firm, Amphora Designs, which, together with Acorex's management and a UK wine distributor, developed several options for a brand identity from which the final choice, "Taking Root," was selected.

Acorex plans to introduce four wines in the series: Pinot Grigio, Sauvignon Blanc, Merlot, and Bastardo-Cabernet Sauvignon — all in the £4.99 price range. The brand launch took place at the 2007 London International Wine and Spirits Fair, but to build momentum for its debut, Acorex also exhibited at ProWein in Germany. Already, the brand is receiving acclaim: "Taking Root" was nominated for the prestigious Drinks Business Design & Packaging Award 2007. And according to the company's general director, Sergei Borets, "We have high hopes for 'Taking Root' and believe it will help to secure our company's future as we move away from the Russian market."

### **A3. Wine Sector**

In Year 2 CEED concentrated its activities around two main areas: wine marketing and winemaking. Marketing assistance included activities that had an impact on the individual companies as well as on the whole industry, such as common marketing efforts aimed at publicizing high-quality Moldovan wines, improving access to market information, improving wine marketing skills, and facilitating market linkages. The assistance aimed at improving winemaking technology consisted of helping the wineries develop new skills and adopt new practices for producing new styles of wine.

#### **A3a. Summary of Completed or Ongoing Activities**

##### **Activity 1: Assisted Moldova Wine Guild during its first year of operations**

*Challenge.* During 2007 the Moldovan wine industry was challenged by the Russian embargo on wines from Moldova, which in the past absorbed around 80% of all the wines produced. The Moldovan wine industry was very slow to adjust itself to the new realities which occurred due to the ban. Exports dropped significantly because no other market in the world is able to absorb the wine quantity that Russian consumers used to buy from Moldova. There are several factors which might explain the current situation. First of all Moldovan wines were not adapted to consumer requirements from other countries, especially from the ones with more affluent consumers. Second, wineries in Moldova were not used to compete internationally, because the Russian market was sheltering them from real market forces. As a result many Moldovan wineries were not able to fulfill the basic requirements that would be expected from truly international companies. Third, the wines from Moldova are not known in other places rather than CIS countries. This is very unfortunate because the country of origin is an important criterion for consumers when making a wine purchasing decision.

Following the crisis caused by the Russian ban, some Moldovan wine producers admitted that they lack both knowledge about international wine markets and experience to compete with world class wineries and started to look for solutions for their unexpected problems.

*Initiative.* A group of wineries that demonstrated a certain level of readiness to sell their wines internationally, decided to joint their efforts and form a generic marketing association aimed at promoting the group's wines abroad. The founders include the following wineries: Acorex Wine Holding, DK Intertrade, Dionysos-Merani, Chateau Vartely, Purcari, Bostavan and Lion Gri. These wineries already have high quality wines and good technical capabilities, as well as wine brands to develop this area. They agreed to raise the profile of Moldova as a wine producer, through press, PR, and collective marketing efforts such as joint presence at trade shows, press releases and generic tasting events in key target markets. The organization they formally registered in August 2007 is called Moldova Wine Guild. CEED had a significant role in stimulating the formation of the organization. CEED assisted the Guild on several occasions throughout the year 2007. The technical support provided by CEED could be divided in two big groups of activities: organizational support and wine promotion and marketing activities.

#### **Organizational support**

- *Advised the Guild members on organization's structure.* CEED subcontracted RGS Group to provide two wine marketing strategists Neil and Patrick Gooch. They traveled to Moldova in December 2006 and delivered two half-day workshops to the Guild's General Directors and Marketing Managers. During the workshop the experts made recommendations concerning the basic functions of a common brand management organization; advised the member companies on criteria for member selection; discussed the pros and cons of group marketing and wine branding; articulated the fundamental decisions and steps that the Guild would need to take and commit to in order succeed; discussed the resources and timing needed for such an initiative.

- *Assisted the Guild's management with strategic and operational planning.* In September 2007, CEED invited a US marketing advisor, Lou Captao, to consult the Moldova Wine Guild on strategic and operational planning. The wine marketing advisor coached Guild Executive Director Veronica Russu as well as member wineries. The advisor reviewed and commented on the Guild's mission and strategic goals and objectives, reviewed the tactics and timing for implementing the strategy, assisted the Guild with operational planning, and presented his conclusions and recommendations in front of Guild members. During 2007-2008 the expert will monitor the implementation of the agreed tactics and will consult on further actions.

### **Wine promotion and marketing**

- *Assisted the Guild to participate at ProWein wine fair in Düsseldorf.* In their effort to penetrate new markets, the Guild attended ProWein wine fair, which was held in Düsseldorf, Germany in March 2007 and where the wineries participated with a common pavilion. CEED assisted the group with booking a country booth at ProWein (paid for the companies themselves) and designing and printing a common marketing brochure (around 1,000 copies), which contained the description of all wineries from the group in two languages English and German.

### **Exhibit III-3**

*Except from pages 1-2 of the Moldova Wine Guild brochure, showing Moldova at the same latitude as France's Bordeaux region.*



- *Assisted the Guild with presenting their wines to UK wine press during the London Wine Trade Fair.* At the beginning of London Wine Trade fair, which took place in May 2007, CEED helped the Guild organize a seminar and tasting focused on the Moldovan wine industry. CEED employed a professional PR expert from London, Barbara Scalera, who was responsible for the organization of the event. Also, CEED helped the Guild to off-set some of the costs associated with organizing the seminar and tasting. During the seminar, several well-known UK wine personalities spoke about the Moldovan wine industry, including wine journalist Robert Joseph, who also led the

tasting, and Angela Miur, a well known Master of Wine with extended knowledge about Moldova. The participation of these individuals attracted trade show participants to this event and the stand. Around 100 people attended. See the feedback from one participant in Exhibit III-4:

#### Exhibit III-4

Barbara,

"This was an intriguing seminar, with some good insights into the Moldovan situation. Brian Howard gave an overview of research aimed at establishing consumer perceptions of Moldova as a country and attitudes to their wines, Robert Joseph provided slides showing the country emerging from the era of communism, and Angela Muir took us through the wines in her inimitable and learned style.

There were five wines to taste, including a crisp, easy 2005 white from native Feteasca, the 2006 Waitrose Firebird Merlot Rose, a couple of reds (one youthful, the other aged to show differences in style and evolution), and a fascinating Riesling Ice Wine 2005 . The 2006 Bastardo/Cabernet red was from the 'Taking Root' stable, a new brand released at the Fair pioneered by PLB.

I would say that the Firebird Merlot, put together by Angela and successfully sold by Waitrose for the past two years, was good, but this wine, one of three in the Firebird range, was a delight and shows just what potential there is in the Eastern block. Also impressive was 'Taking Root' red, whilst the Purcari Merlot 2003 was very pleasing with good fruit showing through in its tertiary character".

Voila! (?)

Regards,  
 Nick Room  
 Buyer Wines 2  
 (00 44) 1344 825217  
 Loire, Alsace, Spain, Portugal, E Europe, Americas, Fortified, Rose, Sweet wines, BIB.

- *Stimulation of market linkages with Swedish importers.* In July 2007 CEED invited a group of Swedish importers led by Pekka Lindberg, the owner of Lindberg AG wine importing company to visit Guild member wineries. The delegation included a wine critic as well. The group visited 6 wineries: Chateau Vartely, DK Intertrade, Bostavan, Acorex Wine Holding, Lion Gri, and Dionysos Mereni. All the wineries gave a winery tour and presented their wines.

*Results.* As a result of CEED supporting the Moldovan Wine Guild during the first year of operations, it succeeded to establish itself as viable organization that continues to work to the benefits of its members, and that is recognized both locally and internationally. With CEED's assistance the organization was able to choose the right operational model from the very beginning and to avoid mistakes and problems that are common for most similar projects during the start-up phase. Strategic planning support will allow the Guild to make more efficient their budget for the next two years.



*The Guild's common stand at ProWein in Düsseldorf, Germany.*

By supporting the two wine events in Düsseldorf and London, CEED provided valuable support to the Guild members, who are helping to create a positive image for the Moldovan wine industry at large. Such an approach created already a "buzz" about Moldovan wines in some markets (see Box 5), which may lead to stronger linkages



**USAID**  
FROM THE AMERICAN PEOPLE

**Competitiveness Enhancement and  
Enterprise Development (CEED)**

# SUCCESS STORY

## Group Marketing Maximizes Visibility

**USAID catalyzes the creation of a new high-quality winemakers association in Moldova**



*Members of the Moldova Wine Guild prepare to show their wines at the London International Wine and Spirits Fair.*

***The newly founded Moldova Wine Guild demonstrates the commitment of seven major Moldovan wineries to create a category of high-quality Moldovan wines that can compete internationally; and it is already putting Moldovan wine on the map.***

Moldova is a small country, little known in the West, but with a long winemaking history. Until early 2006, this fact did not worry many Moldovan wine producers since they sold most of their wine to Russia. But difficult trading relations with Russia have now forced producers to search aggressively for new markets. However, lack of awareness of Moldova and its winemaking potential have hampered efforts and frustrated wineries, especially those that produce wines in a modern style which could be sold in Western markets. Moreover, Moldova has never had an effective wine promotion program.

Responding to this challenge, USAID gathered several of Moldova's leading wineries to discuss ways to raise the visibility of local wine producers by creating a category of high-quality Moldovan wines. International experts recommended that wineries be united when approaching new markets; only as a group would producers be able to grab the attention of buyers, journalists, and others in the international wine industry. Encouraged by USAID and confident in the Agency's desire to be a partner in their future development, seven Moldovan wine producers organized themselves as the Moldova Wine Guild. The Guild is the first of its kind in Moldova, established to maximize members' marketing efforts for greater results and impact in international markets.

Members of the Moldova Wine Guild moved quickly. With support from USAID, and another donor attracted by its initiative, the Guild exhibited at the ProWein trade show in Germany and then at the London International Wine and Spirits Fair. As expected, the Guild's unified approach has attracted attention, with several journalists already taking notice and helping the industry to "discover" Moldova. The formation of the Guild has also encouraged its members; one marketing manager commented after ProWein, "This was the first time that Moldova presented its wines on an equal level with our regional competitors. We felt proud of our participation." The success of the Moldova Wine Guild will not only benefit its members but will create opportunities for all Moldovan producers.

between Western wine traders and Moldovan wine producers. Furthermore, no wine producers were successful in the past selling only wine without selling the country of origin. Increased interest towards wines will inevitably raise the same interest towards the country that produces these wines.

### **Activity 2. Conducted domestic wine market research**

*Challenge.* There is much evidence that an unexplored opportunity exists in the domestic wine market. First of all the local market has an untapped potential, which hasn't been explored widely by Moldovan wineries. Second, the domestic market is not as risky as export markets are. And third, by developing the local market, Moldovan wineries will get access to a wider consumer base, which is currently underdeveloped due to lack of attention on the part of the wine producers.

While there are several Moldovan wineries that already sell wines locally, discussions have revealed that their main challenge is the lack of information about consumer preferences, market segmentation, and market capacity in general. Also, it is worth mentioning that at present the marketing efforts made by Moldovan wineries in Moldova are very limited. One of the main causes is the lack of experience and knowledge about the market, consumption trends, and consumer preferences.

*Initiative.* In order to address the abovementioned challenges, CEED has decided to commission a domestic wine market research, which would be available to all industry players including the wineries that were seeking to penetrate the domestic market. The main objective of this research was to gain insight into Moldovan wine consumer and the Moldovan wine market. The research was conducted in August-September 2007 by local market research agency Magenta. The findings and recommendations of the research will be available in October 2007.

### **Activity 3. Assisted several Moldova wineries with improving their winemaking skills**

*Challenge.* Salcuta, a medium-sized winery, and Lion Gri, one of the leaders in wine production in Moldova, were faced with a serious challenge in March 2006, when like many Moldovan wineries, they lost their principal market – Russia – when the two countries began a trade dispute concerning the quality of Moldovan wines. The dispute directly affected both wineries, threatening to close down the operations, which would eventually lead to sacking the employees. In order to survive and keep the winery in business, Salcuta and Lion Gri began looking for opportunities in new markets. But to compete, the wineries realized that it needed to improve their winemaking skills and adopt new, international wine styles. Moreover, Salcuta realized that it did not possess the knowledge to implement an effective, modern winemaking program on its own; although the winery was confident that its investments in new, state-of-the art winemaking equipment would facilitate this process. Unlike Salcuta, Lion Gri used international expertise in the past, but the management of the winery was aware that they still lacked all the elements to develop and implement a winemaking program on its own; although the winery had invested heavily in the state-of-the art winemaking equipment.

*Initiative.* USAID's CEED project, seeking to improve competitiveness in the wine industry, helped Salcuta and Lion Gri Wineries to secure the expertise of two international winemakers who were familiar with the challenges facing the Moldovan wine sector. The winemakers worked together with

#### **Box 5. The World Takes Notice**

"This year [2007] has also seen the first step towards a united marketing effort for Moldovan wine. Working together voluntarily doesn't come easily to people previously forced to work collectively, but Angela Muir MW, consultant to DK Intertrade's Firebird brand, says they 'gripped their teeth and decided to get on and survive'.

The seven producers making up the Moldovan Wine Guild are DK Intertrade, Acorex, Chateau Vartely, Lion Gri, Dionysos-Mereni, Purcari and Bostavan. Neil Gooch of RGS, who initially advised the group, insists the purpose was 'to create awareness, and to encourage further developments in the UK.'

They made a promising start, with a joint stand for the wineries at ProWein in March, and this will be followed by a presence at [the London International Wine and Spirits Fair]. Wine marketing consultant Luis Capitao sees parallels with Portugal just after the fall of communism, where a similar 'G7' grouping emerged."

*Extracted from the article, "Is the Party Over?"  
4 May 2007, Harpers. Written by Caroline Gilby MW.*



**USAID**  
FROM THE AMERICAN PEOPLE

**Competitiveness Enhancement and  
Enterprise Development (CEED)**

## CASE STUDY

# New Product Leads to New Market

**USAID helps to develop  
new wine styles in  
Moldova**



PHOTO: DOINA NISTOR / USAID CEED PROJECT

*USAID Consultant Luca Zavarise (center) monitors the improvement in wine quality at Salcuta.*

**CHALLENGE** When a trade dispute concerning the quality of Moldovan wines resulted in Russia banning imports, Salcuta Winery, like many Moldovan wineries, lost its principal market. The dispute initially forced Salcuta, a medium-sized company, to send its employees on unpaid leave. In order to stay in business and save the employees' jobs, Salcuta looked for opportunities in new markets. The winery quickly realized that in order to compete it needed to improve its winemaking skills and adopt new, international wine styles similar to the younger, fruitier wines produced in Australia, California, and Chile. While Salcuta was confident that its prior investment in state-of-the-art winemaking equipment would be useful, it knew it did not have the expertise to implement an effective, modern winemaking program on its own.

**INITIATIVE** With help from USAID, Salcuta secured the expertise of an international winemaker familiar with the challenges facing the Moldovan wine sector. During the 2006 harvest, winery staff received hands-on training in recent developments in winemaking. The expert taught Salcuta's employees how to properly set up the winery's equipment for collecting and crushing the grapes, introduced changes to the fermentation process, and advised on the treatment and storage of the new wines. These measures allowed Salcuta to produce new styles of wines.

**RESULTS** Salcuta Winery has taken an important step towards diversifying its market by producing high-quality wines that adhere to internationally recognized standards. Salcuta's new style wines, produced with the assistance of USAID, are now selling in Poland under their new "Noi" brand. To date, Salcuta has shipped two containers of "Noi" to Poland, valued at €45,000, and two more containers are planned. Currently, the new wines account for 20 percent of Salcuta's sales and negotiations with potential buyers from Romania and Germany are already in progress. Most importantly, Salcuta has been able to maintain its operations, thereby saving at least 100 jobs, and other Moldovan wineries now have an example of how to become more competitive.

company employees during the 2006 harvest, helping them to properly set up the equipment for collecting and crushing the grapes and to select high-quality ancillary inputs. They also oversaw the entire fermentation process, introducing a number of important changes to their winemaking practice that would yield the new style wines that Salcuta and Lion Gri hoped for. Later in the season, they advised winery personnel on treating and storing the new wines.

*Results.* With USAID’s support, Salcuta and Lion Gri Wineries have taken an important step toward producing wines of a higher quality and that adhere to internationally recognized styles, such as the younger, fruitier wines produced in Australia, California, and Chile. As a result, Salcuta expects to sell 250,000 cases of its new wines per year and Lion Gri – 500,000 cases. This will allow the wineries to diversify their markets and reposition themselves in Russia with better products for higher prices. Despite the difficulties faced by the Moldovan wine industry, Salcuta and Lion Gri Wineries will maintain their operations, preserving at a minimum 300 jobs. Furthermore, it is companies like Salcuta and Lion Gri that will build a competitive Moldovan wine industry. “By investing in better wine quality today, we strive for better future,” says Salcuta Winery’s General Director.

#### **Activity 4. Presentations and case studies**

*Challenge.* CEED and Moldova Vin agreed to organize a joint presentation of the Romania wine market research findings, which was conducted by TNS-CSOP market research agency in Romania in August – September 2006 (See Box 6). Also, Moldova Vin approached CEED requesting assistance with organizing a seminar on successful launching of an international wine brand. CEED has decided to present the successful launching of the Yellow Tail wine brand in the USA.

In addition, Poliproject Exhibitions, the company in charge of organizing Expovin Moldova 2007 (February 2007) has approach CEED with the request to invite an international wine marketer for the annual wine conference held during the event with the purpose to give a speech on most successful wine marketing practices.

#### **Box 6. USAID CEED Unveils Romanian Wine Market Research Findings**

The USAID Competitiveness Enhancement and Enterprise Development Project (CEED) commissioned an in-depth research of the Romanian wine market, the findings of which were presented to industry stakeholders on October 10, 2006. The research was conducted by international specialists from United States and Romania. Several research tools, of both a quantitative and qualitative nature, were combined to dig deeply into Romanian consumers’ attitudes and usage patterns concerning Moldovan wines. The Romanian wine market structure and trade opinions were also surveyed.

The Romanian market is of strategic importance to Moldova, particularly given the necessity for the country’s wine industry to diversify its markets. Moldovan wine sales to Romania have increased dramatically in the last two years, which has pushed Moldovan wine imports from 15th to 3rd place, behind wines from France and Italy.

The research provides Moldovan wine companies with valuable resources and tools to consolidate and expand their positions on the Romanian market, and to translate the challenges brought by Romania’s accession to the EU into new opportunities. A key finding is that continued success in the Romania market, even after January 2007, can serve as an important stepping stone to pursue and gain access to other EU and foreign markets.



*CEED consultant, Luis Captao, a US wine marketing executive explains to participants how to interpret and use the research data.*

*Initiative.* In October 2006 CEED presented the results of the Romania wine market research findings in cooperation with Moldova Vin. The presentation was carried out by international wine marketing consultant Lou Capitaio who had supervised the market research. Also, Lou Capitaio presented during the same event the case study of the highly successful launching of Yellow Tail brand in the US. In February 2007 Lou Capitaio spoke at the International Wine Conference, which was held during the ExpoVin Moldova 2007 wine fair. His main topic was the US Wine Market and Opportunities for Moldovan companies to sell successfully their wines in America.



*Lou Capitaio speaks about the US wine market structure at Expovin Moldova.*

*Results.* Both events were publicized in local press and media. Around 70 people attended during the presentation of the Romania wine market research findings and around 50 people were present at US Wine Market workshop. The results of the Romania wine market research were made available on CDs during the presentation and were later distributed by mail. A survey of companies that received the results of the research was conducted, which revealed the positive attitude of respondents towards the usefulness of information and data that the research provided.

### **A3b. Progress against Activities Included in the Year 2 Work Plan**

<b>Activity Name</b>	<b>Status</b>	<b>Comment</b>
Assist the initiative group of 7 wineries in their effort to develop and launch a common generic wine brand	Ongoing	CEED assisted the Moldova Wine Guild during their organizational stage. In Year 3 CEED will provide technical assistance for common brand development and launching.
Conduct wine market research	Ongoing	The domestic wine market research was conducted in August-September 2007. In November 2007 the findings and the recommendations will be made public during a public presentation.
Facilitate market linkages with potential U.S. buyers	Cancelled	The activities were stopped because Moldovan wine producers were not showing real interest towards promoting their wines in US and moreover most of them were not ready to pursue this market.
Improve winemaking skills	Ongoing	The first pilot projects proved efficient and CEED decided to replicate them in 2007. In addition to the two companies that received winemaking assistance in 2006, CEED provided winemaking expertise to four wineries that were selected through an open contest.
Presentations and case studies	Completed	All presentations and case studies were held according to the plan.

## A4. Financial Sector

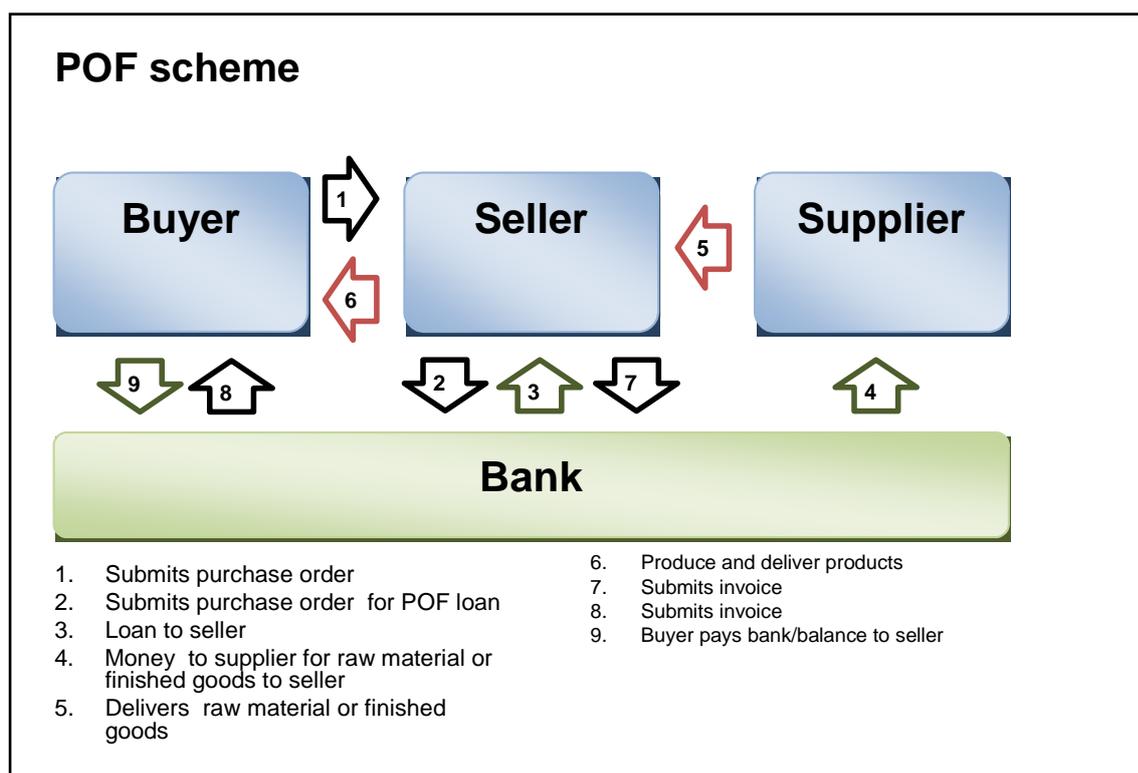
### A4a. Summary of Completed or Ongoing Activities

#### Activity 1: Introduction of Pre-Shipment Finance Product – Purchase Order Finance (POF)

*Challenge.* All businesses need permanent short-term financing of their working capital in order to grow and to succeed in their activities. This applies even more to the companies that have to fill orders from their good and stable customers. Although Moldovan commercial banks are quite developed and have a large range of lending products in their portfolios, it has been identified that there is a lack of pre-shipment finance lending products, as a key need on the market.

POF is an appropriate financial tool that can help Moldovan companies, including those in CEED's target sectors, to buy raw materials, to manufacture and to deliver the produced goods in time, i.e. fill in a better way the orders received from their credit worthy clients. See Exhibit III-5 below. POF introduction gives advantages to both parties – businesses and banks. It allows enterprises to increase size and frequency of orders, thereby increasing sales and profits, and the most important thing is that it doesn't tie up collateral, especially real estate. As for the banks, they can seek new and better credit-qualified clients and can also earn more from POF transactions vis-à-vis other short term loans.

#### Exhibit III-5



*Initiative.* CEED provided assistance on POF introduction to three commercial banks – Fincombank and Mobiasbanca (from October 2006) and Moldindconbank (from May 2007). Two consultants from subcontractor Crimson Capital supported CEED in these activities – **Michael Gold** (1 assignment) and **Rick Currie** (6 assignments). The first step for POF introduction was to discuss the legal and procedural issues with the National Bank of Moldova; and for this purpose there was held two meetings with Mr. Radu Musteata, the Head of Banking Regulation and Supervision Department.

The further methodology used in working with the partner banks included: initial POF presentations to their management/key staff; development of implementation plans that have been accepted by the

banks; providing the drafts of POF procedures and all related to its implementation agreements designed by CEED, as well as assisting banks in integrating them into their existing documentation; assessing training needs and providing general and on-the-job trainings for the credit officers, also including the analysis of potential POF clients; assistance in POF marketing with development/publishing of initial marketing materials and presentations to the business community (within nine round tables organized by Fincombank in regions). Also, CEED hired a local legal consultant **Veaceslav Bantea-Croitoru** to advise and recommend on banks' draft POF procedures, agreements and other supporting legal documentation.



*Consultant, Rick Currie, from Crimson Capital, describes POF to credit officers from Fincombank.*

**Results.** Assistance provided by CEED resulted in the launch on the Moldovan market of a new trade finance product and in the issuance of 14 POF loans by the end of September 2007, totaling about US \$1.4 million. Fincombank has succeeded in POF implementation, concluding 13 POF transactions. Also, the bank got a new client, due to this new product in its portfolio. Three POF loans have been disbursed to CEED' target companies, one of which is Moldabella (see Boxes 7 and 8).

At the same time, Mobiasbanca provided only one POF loan, because after its acquisition by the Société Générale the bank has to accept new lending policies and procedures and in fact would not continue with POF institutionalization. The program was also going well with Moldindconbank: at the end of September the bank approved their POF procedures and would go ahead with the pilot test implementation phase. In addition, to make POF available for all companies from CEED' target industries, CEED has met with the management of three more commercial banks – Moldova Agroindbank, Banca Sociala and Eximbank. All banks expressed their interest and availability for POF implementation and are considered as CEED partners for Year 3.

**Box 7. Bank Feedback: Fincombank**

“POF is a flexible tool for reliable businesses, a key for development, and an impetus for new accomplishments. The uniqueness of this product is that it enables the borrowing company to generate sales that exceed its current financial possibilities, thus providing a basis for the business growth. Together we can achieve more!” says Mrs. Polisciuc from Fincombank.

**Box 8. Enterprise Feedback: Moldabella**

Petru Babenco, Moldabella Financial Director expressed his content about the product. “The POF loan offered our company an advantage in comparison to competitors: to expand Moldovan products on the Russian market.”

**Activity 2: Expansion of Leasing for Commercial Equipment**

**Challenge.** Investments in new equipment/machinery are also crucial for the companies that want to compete on the local and international markets. Leasing solves one of the biggest problems that SMEs face – lack of additional collateral. Therefore, this is an additional option for Moldovan companies, including those from CEED target sectors, to enhance the quality of the manufactured goods and the companies' productivity. In Year 1 CEED conducted a market analysis that confirmed the need to address the leasing area. The formal selection process of the partner institution and intervention design was finalized at the beginning of Year 2, when CEED decided to provide such kind of assistance to IMC Leasing, one of the leading leasing companies that stated a considerable interest in developing the commercial leasing. This also matches CEED's objectives in two main sectors – wine and textile/apparel, which need to upgrade or purchase new equipment/machinery.



**USAID**  
FROM THE AMERICAN PEOPLE

**Competitiveness Enhancement and  
Enterprise Development (CEED)**

# SUCCESS STORY

## Financing that Fuels Competitiveness

**New loan product gives small firms the agility to meet market demand quickly**



PHOTO: ANDREI SEDELKOV / USAID CEED PROJECT

*Larisa Iodco, Fincombank Credit Section Senior Specialist, and Petru Babenco, Moldabella Financial Director, discuss the advantages of the new finance product for Moldovan banks and enterprises.*

***With the support of USAID, a new loan product has been launched in Moldova. “The POF loan offered our company an advantage in comparison to competitors: to expand Moldovan products on the Russian market,” says Petru Babenco, Moldabella Financial Director.***

For Moldovan companies like rug maker Moldabella obtaining credit used to take several weeks and required hard collateral, limiting their ability to quickly fill new orders. Moldovan companies required greater access to finance to grow and compete.

To help businesses succeed, a new financial product, Purchase Order Finance (POF), was introduced with the assistance of USAID and was recently launched at two Moldovan banks, Fincombank and Mobiasbanca. USAID project experts assisted the banks to implement the new form of finance by providing full support during product development and marketing, and offering hands-on training for the banks' loan officers and management.

The purchase order contract serves as part or all of the collateral in a POF loan, reducing the need for businesses to pledge real estate or other fixed assets. POF loans allow businesses to buy raw materials, packaging, and inputs needed to fill larger or more frequent orders. The term and interest rate of the loan are adjusted to the transaction cycle, which reduces the risk for the lender and interest for the borrower.

In less than four months, USAID assistance facilitated eight pilot loans that injected more than \$850,000 worth of essential working capital into reliable businesses, proving that alternative loans can be a profitable new market for banks. Moldabella was one of the first companies to benefit. In a very short time and without hard assets, Moldabella secured a loan worth \$200,000 that enabled the firm to fulfill a large order from a key Russian customer.

POF is expanding to more Moldovan banks to increase access to finance for a greater number of Moldovan companies. “POF is a flexible tool for reliable businesses, a key for development, and an impetus for new accomplishments. Together we can achieve more!” says Mrs. Polisciuc from Fincombank.

*Initiative.* CEED assistance to IMC Leasing started with a joint market research by CEED and ADP in order to determine the market capacity for the leasing of equipment/machinery, as well as customers demand and preferences (see Box 9). The survey was focused on companies from projects' target sectors and was carried out by Magenta Consulting.

**Box 9. USAID Highlights Opportunities and Demand for Leasing in Moldova**

On April 12, 2007, the findings from country-wide research on the opportunities and business preferences for commercial leasing in the winemaking, apparel and footwear, and agribusiness and agro-processing sectors were presented to over 40 representatives of local leasing companies, commercial banks, and insurance companies.

The research titled, "Growing Economic Sectors and Opportunities for Commercial Leasing", was commissioned by two USAID projects: the Competitiveness Enhancement and Enterprise Development Project (CEED) and the Agribusiness Development Project (ADP). The study estimated the market size for equipment and machinery in these three important industries, revealing high unmet demand. For example, the potential for commercial leasing within the next two years could reach \$100 million in winemaking, \$17 million in light industry, and \$24 million in agro-processing. It also revealed high interest on behalf of the private sector to access leasing; but demonstrated a need for awareness of the product and development of leasing products tailored for these industries.

It is anticipated that the opportunities unveiled through this research will accelerate the development of commercial (i.e. non-automobile) leasing market and maximize its attractiveness and appropriateness for the private sector companies. As a result, private companies will gain enlarged access to long-term financing, leading to a better endowed and more competitive economy in Moldova.



*The Director of TRIAGO PRIM and IMC Leasing's Commercial Director discuss their plans for collaboration.*

Direct consultancy support to IMC Leasing for expending the leasing into commercial equipment, in particular for wine and apparel/textile sectors, was undertaken by two CEED consultants: one focused on the initial assessment of IMC readiness and weaknesses to enter commercial leasing (**Frank Lever**, January 29-February 13, 2007) and another – on the risk management system at both levels - company and underwriting process (**Stewart Pirnie**, July 3-11 and September 4-12).

Mr. Pirnie provided the company with complex assistance, taking into consideration the whole IMC activity. He prepared a new workflow, reviewed the existing organization chart and made the adequate changes for a new one, which included also recommendations for enforcing sales capacity of the company; designed new sales and risk management structures; provided assistance to the company to set up an adequate risk management system, in line with international best-practices; presented a new risk policy for the truck and trailer sector, as well as for two CEED sectors – wine and textile/apparel; made recommendations on funding structure, future training programs, bonus scheme and post sales support procedures. Also, as a follow-up of the consultant' work at IMC, CEED Financial Advisor, together with IMC management, met with several vendors of equipment in Moldova for wine/apparel/textile sectors, with view to establish partnerships between them and IMC. In addition, CEED provided assistance to IMC to review and advice on the legal aspects related to the utilization of the floating charge tool with their main lenders (i.e. Mobiasbanca, EBRD etc.).

*Results.* CEED assistance to IMC Leasing helped the company to put in place an adequate structure and risk management system that would enable them to operate as a real leasing company. Using the recommendations made by CEED' consultants, IMC has already achieved very positive results in the post-selling collection procedures, in negotiating with some international organizations to obtain funds, in establishing relations with some of the main winemaking and textile/apparel equipment vendors in Moldova. Now, they are also searching out for some potential transactions in the apparel industry. Benefiting from the sales people training, IMC will have the full capacity to move successfully into the leasing of commercial equipment.

#### **A4b. Progress against Activities Included in the Year 2 Work Plan**

<b>Activity Name</b>	<b>Status</b>	<b>Comment</b>
Introduction of Pre-shipment Finance Product	On-going	POF program has been canceled with Mobiasbanca; is on-going with Fincombank (till December 2007) and Moldindconbank; will start in Year 3 with Banca Sociala, Moldova Agroindbank and Eximbank
Expansion of Leasing for Commercial Equipment	On-going	Support training of the sales staff and marketing of the product

### **B. Business Environment Component**

In this section, CEED describes the activities carried out under the Business Environment Component during Year 2.

#### **B1. Summary of Completed or Ongoing Activities**

##### **Activity 1: Facilitate the development of the wine sector strategy for Moldova**

*Challenge.* In recent years, the international wine trade has changed significantly. Consumer tastes in the world's largest wine consuming nations have evolved to favor younger, dry, fruity style wines. Competition has intensified and major international retailers have greatly strengthened their market position, pressuring wine producers worldwide. In addition, many wineries and wine producing countries are spending record amounts to brand and promote their wines and the country of origin. Many countries have strategic plans to guide their actions, plans that they update ever few years to keep them current. Together, these changes are pressuring the Moldovan wine industry, and it has been slow to adapt to the new dynamics of the international wine trade. Recent events during the last year have only added to these challenges.

Nevertheless, Moldova is blessed with natural advantage for wine production. And wine is part of the national identity and history. To sustain the industry into the future, a thorough review and updating of Moldova's wine sector strategy is needed. Moldova-Vin must lead this important initiative. The CEED project proposed the support to Moldova-Vin in elaboration of the Wine Strategy.

*Initiative.* CEED carried out an independent, pre-strategy assessment of the wine sector using a team of international and Moldovan specialists (**Lou Capitaio, Graham Dixon, Caroline Gibly, Claude Jaboulet-Vercherre, Diana Lazar, Costia Stratan, Alexandru Belschi, and Ionela Ciuhrii**). The team relied upon information obtained from pre-existing reports and analysis, official statistics, in-country interviews with key private and public industry leaders (including Moldova-Vin), and the experts' individual opinions drawn from their experience. The team has highlighted strengths and weaknesses and recommended ways to enhance the industry's competitiveness internationally. These recommendations were presented to Moldova-Vin in a written report, translated into the state language. Key findings will be presented at a wine conference in November 2007.

*Results.* The pre-strategy assessment report, which offers strategic recommendations focused on six areas (see Box 10), will serve a trustworthy source of information for the wine industry stakeholders, including Moldova Vin, professional organizations, and private sector.

**Box 10. Strategic Recommendations Focus on Six Areas**

- Crisis management
- Public-private sector collaboration
- Rationalizing and streamlining the role of government
- Legal and regulatory reform
- Domestic market development
- Skills enhancement

Hopefully it will contribute to initiating the dialogue between the public and private sectors, which will finally result in developing a clear vision for a viable wine industry in Moldova under conditions of increasing global competition. The final objective for CEED would be the elaboration of a basic strategy for achieving the industry goals. Nevertheless, the results of the above activity depend very much upon the readiness and willingness of both public and the private sectors to engage in a productive dialogue. CEED will try to push this issue forward in Year 3.

**Activity 2: Elaboration of the Light Industry Development Program through 2015**

*Challenge.* Light industry is one of the oldest economical branches of the country. It is represented by three types of activity: textile manufacturing (knitwear and carpets); apparel production; and production of leather, leather products, and footwear. It comprises over 250 enterprises, which employ over 22 thousand people. Light industry is important to the Moldovan economy, second after food products by exports volume. Even though the overall balance external trade for 2005 and 2006 was negative, in light industry exports exceed imports. In 2006, the share of the exported volume within the branch represented 27% from the total export volume per country.

According to the Industrial Strategy developed for the period through 2015, which was approved in October 2006, light industry is a priority sector of the national economy, since it presents considerable advantages such as the possibility to employ a higher number of labor force; a fast cycle of rotation of circulating capital; the lack of need of significant amount of investments; and the existence of a potential for providing professional training of employees. In support of the above mentioned strategy, the Ministry of Industry and Infrastructure (MII) has the task of elaborating a Program for Light Industry Development through 2015, which will transform the light industry sector into one that is technologically endowed, efficient, and competitive according to European standards.

*Initiative.* In support of the above mentioned strategy, the MII was required to develop a Program for Light Industry Development through 2015 to transform the light industry sector into one that is technologically endowed, efficient, and competitive according to European standards. In May 2007 the MII requested assistance from USAID/CEED in developing the Program. After meeting with the Ministry, together with the CTO, CEED decided to support the Ministry's request and assembled a team of several specialists – mostly local Moldovan specialists (**Sergiu Ghetiu, Alexandru Sochirca, Stanislav Shapa, and Veaceslav Shutchevici**) but also an international, **Heikki Mattila**.

The Moldovan team, working in collaboration with MII and light industry association APIUS representatives developed an initial draft. Mr. Mattila reviewed the draft and advised on the successful practices of other countries in light industry (mostly from EU). In particular, Mr. Mattila advised on how other Governments have successfully transitioned their light industry base (esp. textile/apparel) from low type of processing as CM to the types that bring more value added as FOB, private label or own label. He also provided specific inputs into some of the regulatory gaps.

In August 2007, a final working-draft of the Program for Light Industry through 2015 was submitted for review by the MII. The Ministry placed the draft Program on their website with a call addressed to relevant stakeholders to comment. It was also sent directly to 22 light industry companies, including all APIUS members, and to the Technical University of Moldova asking for written comments. In September 2007 a roundtable was conducted to discuss the Program publicly and receive additional

feedback from stakeholders. The presentation opened a big discussion among the attendants. APIUS' president said that the program is the first industry document that begins to address private sector concerns. Also he mentioned that the process of the program development showed that the sector is changing its state from fragmented companies to a real sector.

*Results.* The program is almost complete. The MII is considering the additional proposals for improvement suggested by the roundtable participations. In the same time, the final document has to be shortened to 40 pages. It will be ready for submission to the Government by November 1, 2007.

### **Activity 3: Promoting legal and regulatory reforms in CEED's target Industries**

*Challenge.* The start of Year 2 coincided with the passage of the Guillotine II Law (No. 235) and the end of BIZPRO. Recognizing that there was limited capacity within the responsible public sector bodies and inadequate participation from the private sector to maximize the potential impact of Law 235, USAID encouraged its partners, including CEED, to support the reform process as possible within the limits of each project. Therefore, CEED decided to provide support to stakeholders within its three target sectors to follow-through on the reform effort.

*Initiative.* This started with three roundtables (See Box 11) aimed at disseminating key findings on legal and regulatory impediments identified during focus groups conducted by IMAS for CEED and to solicit feedback from sector stakeholders. Over 100 people participated in these discussions, including private enterprises; sector associations; representatives from the Ministry of Economy and Trade (MoET), Ministry of Information Development (MID), MII, and State Agency Moldova-Vin; USAID; and other donors.

#### **Box 11. Roundtables Foster Public-Private Dialogue to Improve the Business Environment in Moldova**

The United States Agency for International Development (USAID), through its Competitiveness Enhancement and Enterprise Development (CEED) project, organized three roundtables to bring the public and private sectors together to discuss the key business environment issues, and its improvement opportunities in Moldova. The roundtables took place on 22, 28, and 30 November 2006; more than 150 people took part, including representatives from the Ministries of Economy and Trade, Informational Development, and Industry and Infrastructure; State Agency Moldova-VIN; USAID; and private enterprises. The roundtables encouraged public and private sector dialogue on the business environment as outlined in the Law on Basic Principles Regulating Entrepreneurial Activity No. 235-XVI ("Guillotine 2 Law"), highlighting its impact on business, and roles and responsibilities of public and private sectors.



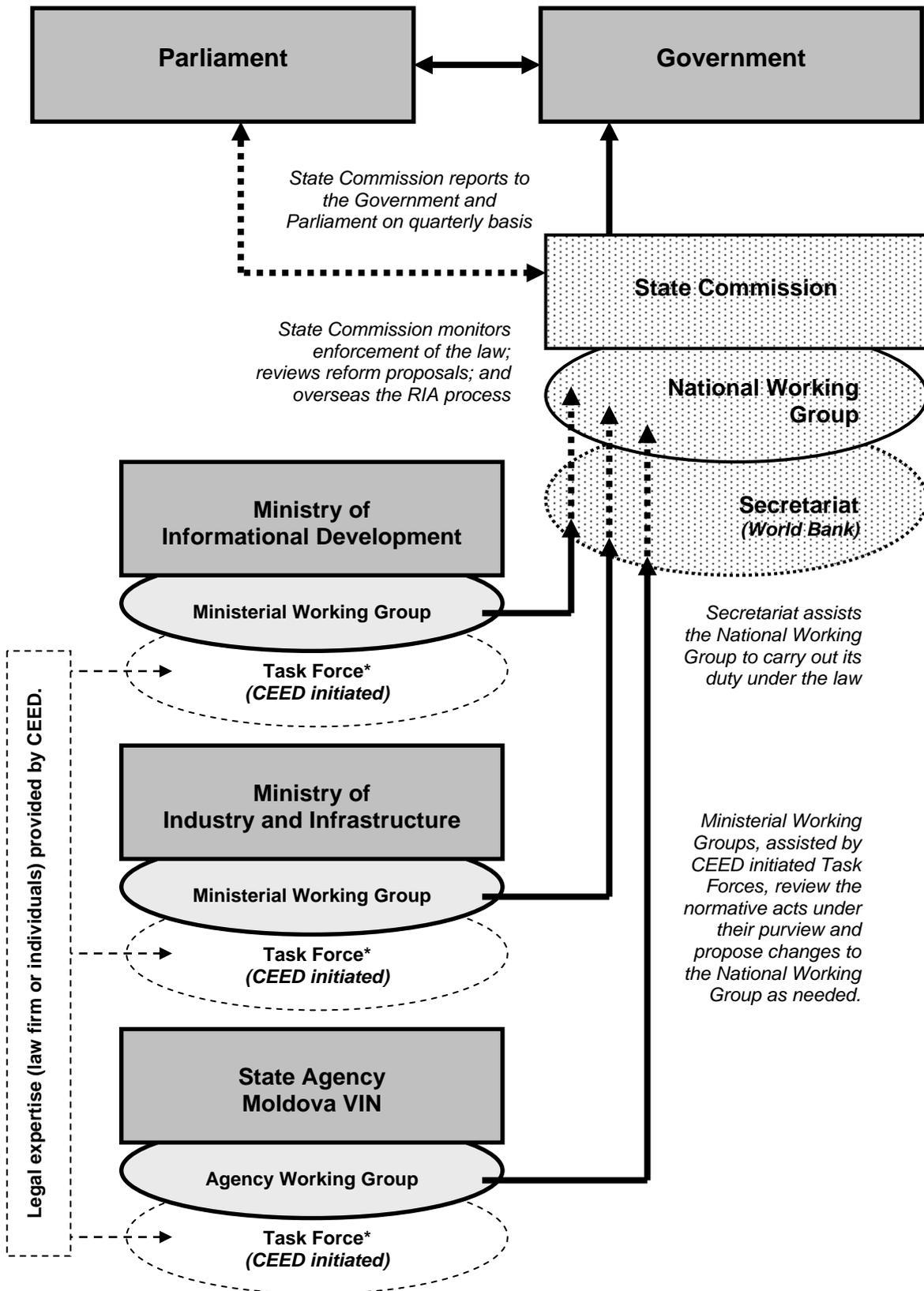
*Members of the newly created Light Industry Association (APIUS) discussing the goals for Task Force activities.*

Discussions focused on the legal, regulatory, and administrative environment facing businesses in three sectors: information and communications technology, textile and apparel, and winemaking, and the main impediments faced by private businesses in these sectors.

As an outcome of the roundtables, public-private Task Forces were created to serve as the driving force behind improvements in the business environment in these three industries. The USAID CEED project will continue to support public and private sector stakeholders to achieve their business environment reform goals, ultimately leading to improved economic growth in Moldova.

Due to the timeliness of the Guillotine II Law, CEED proposed to tackle these issues within this regulatory reform framework. That process included several steps and generally followed the structure proposed in the Year 2 work plan and shown in Exhibit III-6.

Exhibit III-6



\* CEED initiated Task Forces (TFs) bring private sector stakeholders into the reform dialogue; they assist the Ministerial Working Groups (MWGs) to carry out their obligations under the law. TFs are made up of up to 10 members, 2-3 of which should be from the MWGs. Each task force will be supported with legal assistance provided by CEED.

Wishing to support central authorities (MII, MID and Moldova Vin) and at the same time to encourage sectors initiatives, CEED promoted the idea of creating three Task Forces, comprising representatives from the private and public sectors, who would work together on the initiatives. The Task Forces' activities were led by legal consultants from Business Intelligent Services. During November 2006 - January 25, 2007 the Task Forces held several meetings: ICT - 6, Textile -4, Wine -5, then there followed modifications which represented a common opinion concerning the business framework and which were further submitted to the National Working Group/State Commission.

At the second step, consultants from BIS worked with members of the Secretariat in order to make sure that offered proposals were recognized as regulatory reform issues and that all of them were included in the agenda for discussions. During NWG meetings that took place in May 2007, they assisted private sector members of the Task Forces and sector association to debate and defend the reform proposals. All meetings were attended by the president and/or members of the sector associations. During the final stages, BIS consultants worked with the Secretariat to make sure that the reform proposals were properly formulated and were included in final list sent to Parliament.

*Results.* CEED's sectors stakeholders proposed to modify 9 laws and 8 normative acts within the Guillotine II framework (the Government received proposals to make changes to 82 laws) as follows:

- **General Business:** 3 laws (i) Labor Code No.154-XV of 28.03.03, (ii) Law No.1585-XIII of 27.02.98 on Mandatory Health Insurance, and (iii) Law No.1593-XV of 26.12.2002 on the Amount, Procedure and Terms of Payment of Mandatory Health Insurance Fees;
- **ICT:** 3 laws, 1 normative act: (i) Law No. 1164-XIII of 24.04.1997 on Enforcement of Titles I and II of the Fiscal Code, (ii) Law No. 451-XV of 30.07.2001 on Licensing Certain Types of Activity, (iii) Law No.1069-XIV of 22.06.2000 on Informatics, and (iv) Decision of the Government of the Republic of Moldova No. 1469 of 30.12.2004 on the approval of the Classifier of Regulated Products, Subject to Mandatory Conformity Certification. 3 ANRTI normative acts: (i) Regulation No. 5 of 30.04.2002 on Licensing in Telecommunications and Informatics, (ii) Instruction of 16.05.2001 on the way of calculation and payment of the regulation fee by license holders in telecommunications and informatics and (iii) Regulation No. 09 of 14.04.2005 on Organizing and Carrying Out Public Tenders for Individual Licenses in Telecommunications and Informatics;
- **Wine:** 3 Laws, 4 normative acts, including: (i) Law No. 451-XV of 30.07.2001 on Licensing of Certain Types of Activity, (ii) Law No. 1100-XIV of 30.06.2000 on Production and Circulation of Ethyl Alcohol and Alcoholic Products and (iii) Vine and Wine Law No. 57-XVI of 10.03.2006; 2 Government Decisions (i) RM GD No. 249 of April 11, 2001 "On enforcement of the Law on Production and Circulation of Ethyl Alcohol and Alcoholic Products" and (ii) RM GD No. 271 of May 14, 1996 "On additional measures to prevent production and supply of forged or low quality alcoholic products"; 2 orders of "Moldova-Vin" Agency: (i) Order No. 16 of 10.03.2004 on the approval of minimum production capacities and (ii) Order No. 20 of 22.03.2005 on the approval of the Regulations on the development of technological and normative documents for production of wine and alcoholic products, beer and non-alcoholic drinks.

To overcome tax policy obstacles, private enterprises were invited to discuss with the Ministry of Finance. There were several solutions proposed to overcome the problems. Some of them were discussed with the ministry's MTEF Team. A key discussion concerned reducing the tax burden

#### **Box 12. Regulatory Reform Task Force Meetings**

##### **ICT (software):**

1. December 14, 2006
2. December 20, 2006
3. December 27, 2006
4. January 25, 2007
5. March 14, 2007
6. November 6, 2007 (Final presentation)

##### **Textile/Apparel**

1. December 11, 2006
2. December 20, 2006
3. March 16, 2007
4. September 28, 2007 (Final presentation)

##### **Winemaking:**

1. December 14, 2006
2. December 20, 2006
3. December 28, 2006
4. March 14, 2007
5. November 14, 2007 (Final presentation)

(VAT in particular) by permitting reimbursing the VAT on long-term investments in assets and services made in rural localities. The discussions revealed that this is covered by the “Bases of Tax Policy for 2008”, approved by the Government on May 30, 2007 within the MTEF for 2008-2010.

Labor problems were addressed to the MoET. Several working meetings with the Chief of Labor Relations were carried out. Thereafter, he concluded that the observed constraints in the labor legislation consist in ambiguous/erroneous interpretation of labor legislation provisions rather than in deficiencies and drawbacks of the legislation itself; and a possible way of solving this problem would be practical solutions related to implementation of legal provisions. A roundtable was organized by MII with CEED’s assistance, explaining how to compose contracts with trained workers in order to increase their responsibilities related to the expenses made by companies.

Meanwhile, the Parliament proposed to extend the Guillotine II procedure until the end of December 2007 in order to involve more private stakeholders in the process. Taking into consideration the experience gained and progress achieved on the proposed initiatives, CEED decided to continue providing assistance for the sector associations to submit additional proposals directly to the Special Commission by the Parliament for the wine and IT legal framework improvement in order to conclude the process of the Regulatory Reform. The modifications will be made on the Electronic Communications Law, Law on Informatics, Law on vine and wine, Law on the production and circulation of ethyl alcohol and alcoholic production and Law on Licensing. A vote on the full package of reforms proposed under the Guillotine II law is expected by December 2007.

**Box 13. Conference to Enhance Moldovan NGO’s Advocacy Capacity**

On October 5, 2006 the USAID Competitiveness Enhancement and Enterprise Development project (CEED) in partnership with the International Association of Business and Parliament (IABP-Moldova) held a one-day conference focused on enhancing the advocacy capacity of NGOs.

The event was attended by 40 participants from several local associations and NGOs, the Parliament of Moldova, and USAID and other international projects. The conference raised awareness and interest among NGOs regarding the importance of effective advocacy. The sharing best practices of cooperation between the Parliament and civil society in the UK, US, and Moldova, as well as interactive presentations of case studies from the US and Eastern Europe in the field of advocacy contributed to raising awareness among local associations and NGOs about the important role they have in establishing transparent and open dialogue between the public and private sectors.

The conference was the first joint effort between IABP-Moldova and the USAID/CEED project, which recognized a common interest in seeing associations and NGOs take an active role in communicating and promoting their members’ interests in the most productive and successful means possible.



*President of the Moldovan Parliamentary Committee on Social Protection welcomes participants to the conference.*

**Activity 4. Organize a Workshop on Enhancing Association Advocacy Capacity**

*Challenge.* From CEED’s experience facilitating dialogue between public and private sectors, there emerged a concern that sector associations are not ready to take advantage of the openness of the Moldovan Government and of the Parliament to civil and business society by adopting the concept of cooperation between the Parliament and civil society. Today when indigenous companies strive to compete locally with international companies, one of the key strengths these companies ought to

acquire and capitalize on in order to survive is the ability to advocate their interests. In the process of lobby and advocacy, it is important to establish a transparent and open dialogue between the Government and Parliament and business and civil society.

*Initiative.* CEED in partnership with the International Association of Business and Parliament (IABP-Moldova) organized a one-day workshop to enhance the advocacy capacity of local associations and non-governmental organizations (NGOs). See Box 13.

*Results.* About 40 participants attended the workshop, including Members of Parliament, Chief of the Parliamentary Committee for Economic Policy, Budget and Finance N. Bondarcuic, representatives from USAID and other international projects, and a number of associations and NGOs. The conference raised awareness and interest in lobby and advocacy that are to contribute to increasing the wish and necessity to join forces speaking with a joint voice. The event raised awareness among local associations and NGOs about their important role as lobbyists and advocates to establish a transparent and open dialogue between the public and private sectors (including civil society).

### Activity 5. Organize Company-Parliament Attachment

*Challenge.* One of the priorities of the Moldovan Parliament is to establish a transparent and open dialog with the business society. For example, the Parliament proposed to organize additional discussions with business associations within the Guillotine II framework to get additional modifications not proposed by public bodies but that can improve the business framework.

*Initiative.* Most of CEED’s activities were oriented on assisting Ministries and associations to play a more active role in the regulatory reform process. After submission of the draft proposals to Parliament, we decided to use a lobby and advocacy tool proposed by IABP-Moldova, so-called “company attachments”. Company attachments give Members of the Parliament an opportunity to learn more about a particular industry by pairing them with a willing business for a period of time in order to understand the practical concerns faced by the businesses. Members of the Parliament have an opportunity to see the impact of their decisions on business. Company attachments help both parties know more about each other and speed up the process of improving the business environment.

*Results.* During the report period several such event were organized. See the table below.

Data and company	Participants (Parliament and Company)	Issues discussed
09.25.07 Acorex Wine Holding	<ul style="list-style-type: none"> <li>• Cosarciuc Valeriu, Chief of the Parliamentary Committee “Agriculture and Food Industry”</li> <li>• Marandici Simion, Parliamentary advisor</li> <li>• Borets Serghei, President</li> <li>• Dudco Iurie, Logistics Director</li> <li>• Vasilieva Ludmila, Financial Director</li> </ul>	<ul style="list-style-type: none"> <li>• Russian embargo on wine export</li> <li>• High expenses for extra certifications and the state trade mark</li> <li>• High duty in the fund for planting new vineyards</li> <li>• Complexity of the certification procedure</li> <li>• Export barriers, esp. related to exports of wine in bulk</li> <li>• Lack of Agency support in wine promotion activities</li> <li>• Associations and how to lobby the sector interests, etc</li> </ul>
10.02.07 Soft Com	<ul style="list-style-type: none"> <li>• Banari Ivan, member of the Parliamentary Committee “Foreign Policy and European Integration”</li> <li>• Ciclici Vladimir, Company Director</li> </ul>	<ul style="list-style-type: none"> <li>• License issue</li> <li>• Double taxation</li> <li>• Equal access to state tenders and to information necessary to develop informational systems with public destination</li> </ul>

Data and company	Participants (Parliament and Company)	Issues discussed
		<ul style="list-style-type: none"> <li>• Obligatory services of a broker company at the customs</li> <li>• Modification of the Fiscal Code and of the regulations concerning deductible expenses such as expenses for training, promotion</li> <li>• VAT reimbursement</li> </ul>
10.09.07 Endava	<ul style="list-style-type: none"> <li>• Pavlicenco Vitalia, member of the Parliamentary Committee “Foreign Policy and European Integration”</li> <li>• Tulea Oleg, member of the Parliamentary Committee “Human Rights”</li> <li>• Vasile Nedelciuc, President</li> <li>• Valentin Metzger, Executive Director</li> </ul>	<ul style="list-style-type: none"> <li>• The legalization of all existing actors of the IT market</li> <li>• Labor legislation modification</li> <li>• Restricting the ministerial functions from those of software development</li> <li>• Equal access to state tenders and to information necessary to develop informational systems with public destination</li> <li>• Legalization of the software</li> <li>• Adoption of the law on public-private partnership and Informational security</li> <li>• Continuous development of IT specialists</li> <li>• Stimulation of the participation of the local companies at international symposiums</li> <li>• Solving general problems by ANRTI</li> <li>• Modification of the Fiscal Code and of the regulations concerning deductible expenses</li> <li>• VAT reimbursement</li> <li>• Modification of standards in the field of constructions</li> </ul>
10.16.07 Deeplace	<ul style="list-style-type: none"> <li>• Ivanov Dumitru, member of the Parliamentary Committee “Culture, Science, Education, Youth, Sports and Media”</li> <li>• Veaceslav Cunev General Director</li> </ul>	<ul style="list-style-type: none"> <li>• The conflict of interests that appears when the MID launches a tender and state companies like Registru know more than others about the tender and thus, wins it;</li> <li>• There are no rules for government and the business community is always disadvantaged during public tenders;</li> <li>• The law for license. There should be some normative acts but well defined;</li> <li>• Another big issue, the VAT. It takes long time to receive it back;</li> <li>• Unsatisfied qua</li> </ul>
10.23.07 RitLabs	<ul style="list-style-type: none"> <li>• Valeriu Calmatui, member of the Parliamentary Committee for Economic Policy, Budget and Finance</li> <li>• Demcenco Serghei, General Director</li> <li>• Talmatki Igor, Financial Director</li> </ul>	<ul style="list-style-type: none"> <li>• An important issue that not only the company but the industry has to face is the piracy. The legislation does not specify what is Royalty so that the taxation authorities included it in fiscal code and use this term as it is comfortable for them;</li> <li>• The Copyright law is not relevant for now days as it is a very old one and it should be revised. And this is one of the reasons the foreign investors do not come in Moldova;</li> <li>• Lack of a mechanism of VAT reimbursement.</li> </ul>

Data and company	Participants (Parliament and Company)	Issues discussed
10.23.07 Bostavan winery	<ul style="list-style-type: none"> <li>• Vladimir Braga, member of the Parliamentary Committee for Economic Policy, Budget and Finance</li> <li>• Banari Ivan, member of the Parliamentary Committee “Foreign Policy and European Integration”</li> <li>• Bostan Victor, General Director</li> <li>• Artur Marin, Vice Director</li> </ul>	<ul style="list-style-type: none"> <li>• Moldova Vin force them to put on the bottled product the “quality state stamp” which is nothing then complementary costs, complication in application as there are no machines to do this automatically and, the most important, no European country accept this etiquettes;</li> <li>• Certification of the product is exaggerated; it takes more than 7 days which is a problem when the company does not have enough time to deliver to the importer so the logistics management of the company has to suffer;</li> <li>• Falsification of the product;</li> <li>• Modernization of the centre for quality certification (in more than 1.5 years it had been done nothing), etc.;</li> <li>• To restrain the import of ethylic alcohol;</li> <li>• The vodka price should be about 4-5 times higher then the wines so that the sells of wine will rise. (2006 years sells of alcohol: 80% of vodka, 20% of wine);</li> <li>• Wine should be promoted on local market-Moldova.</li> </ul>

As shown above, the company attachments were actively carried out; both parties found them to be a very helpful tool to promote a common understanding of issues affecting business. During October 16-23, 2007 it is planned to continue this activity by organizing another 3 company attachments.

## B2. Progress against Activities Included in the Year 2 Work Plan

Activity Name	Status	Comment
Facilitate the development of a wine sector strategy for Moldova	Ongoing	See Activity 1. Pre-strategy assessment completed, but due low involvement by Moldova-Vin work on a strategy has yet to start. CEED will push this issue forward during Year 3 by partnering with either Moldova-Vin or a sector association.
Promoting legal and regulatory reforms in CEED’s target industries	Completed	See Activity 3. A package of reform proposals has been submitted to Parliament with the Guillotine II framework.
Organize a Workshop on Enhancing Association Advocacy Capacity	Completed	See Activity 4.
Organize three Regulatory Impact Assessment (RIA) workshops	Cancelled	For most of the year a RIA manual was not prepared (a World Bank task) and when it was there was no time for such trainings.
Organize company-Parliament attachments	Ongoing	See Activity 5

### C. Use of Short-Term Technical Assistance

The following is a list of the short-term local and international consultants used during Year 2.

Consultants	Technical Area	Activities
<b>ICT Sector</b>		
<b>Vitalie Tataru</b> January 2007	IT security specialist	Worked with Deeplace and Q-system to define the security protocols for their national online payment system platform.
<b>Monika Blaumueller</b> March 2007	IT marketing specialist	Worked with Dekart and Ritlabs to define an entry strategy fro the US market.
<b>Betty Gardner</b> March 2007 June 2007	IT education specialist	Lead the project team for the ICT skills gap research.
<b>Bill Snyder</b> March 2007 June 2007	IT education specialist	Participated on the project team for the ICT skills gap research.
<b>Dona Scola</b> March 2007	IT sector specialist	Participated on the project team for the ICT skills gap research.
<b>Sasha Colt</b> March 2007	Research specialist	Participated on the project team for the ICT skills gap research.
<b>Ionela Ciuhrii</b> March 2007	Research specialist	Lead the project team for the ICT skills gap research.
<b>Textile / Apparel Sector</b>		
<b>Demian Usanli</b> January 2007	Apparel Production specialist	Implementation of measures proposed by international consultant Mats Nordqvist for productivity enhancement in “Rada” JSC
<b>Kevin Lordan</b> February 2007	Spinning specialist <i>Dexis Consulting</i>	Technical Audit of the Spinning Line at Covoare-Ungheni
<b>John Haycock</b> February 2007 March 2007 June 2007 August 2007	Apparel Production specialist <i>Dexis Consulting</i>	Productivity audit in three apparel companies that operate based on using C&M scheme (i.e. Gabiny, Artizana, and Eurotextile)
<b>Demian Usanli</b> February 2007	Apparel Production specialist	Study of sheep breeding development in the Moldova and analysis of wool suppliers to Covoare-Ungheni
<b>Demian Usanli</b> February 2007 March 2007 June 2007	Apparel Production specialist	Productivity audit in three apparel companies that operate based on using C&M scheme (i.e. Gabiny, Artizana, and Eurotextile)
<b>Owen Petrie</b> May 2007	Wool Specialist	Assessment and recommendations for Moldovan wool quality improvement
<b>Marina Djafarova</b> June 2007	Marketing and brand specialist	Development of promotion strategy, including promotion plan for Vistline
<b>Victor Luchian</b> June 2007	Design specialist	Improvement of brand attributes and create brand book for Vistline
<b>Ann Maria Baldine</b> June 2007	Textile Design specialist	Recommendations for color and design improvement of rugs. Proposal a Marketing Strategy for penetration of the U.S. market
<b>Marina Djafarova</b> September 2007	Design specialist	Update of The marketing strategy and marketing plan for Ravetti brand, 2007/2008

Consultants	Technical Area	Activities
<b>Wine Sector</b>		
<b>Luca Zavarize</b> August-November 2006	Winemaking Specialist	Assisted Salcuta during the harvesting season. Advised the winery on technology, equipment.
<b>Lou Capitaio</b> November 2006 February 2007 May-June 2007 September 2007	Wine Marketing Specialist	Conducted several workshops and presentations such as: Findings and Recommendations resulting from Romania Wine Market Research, Successful launching of Yellow Tail Brand in the US, Opportunities to Sell Wines in the US. Worked in the team of foreign consultants during the pre-strategy assessment of the Moldovan wine industry. Assisted Moldova Wine Guild on strategic planning.
<b>Ludmila Iliciova</b> January-February 2007	Graphic Designer	Designed the Moldova Wine Guild presentation brochure.
<b>Barbara Scalera</b> April-May 2007	PR Specialist	Assisted Moldova Wine Guild with the organization of wine workshop and tasting, which was held during the London Wine Trade Fair in May 2007.
<b>Graham Dixon</b> May-June 2007	Winemaking Specialist	Worked in the team of foreign consultants during the pre-strategy assessment of the Moldovan wine industry.
<b>Claude Jaboulet-Vercherre</b> May-June 2007	Winemaking Specialist	Worked in the team of foreign consultants during the pre-strategy assessment of the Moldovan wine industry.
<b>Caroline Gilby</b> May-June 2007	Wine Specialist <i>Dexis Consulting</i>	Worked in the team of foreign consultants during the pre-strategy assessment of the Moldovan wine industry.
<b>Diana Lazar</b> May-June 2007	Legal and Regulatory Specialist	Worked in the team of foreign consultants during the pre-strategy assessment of the Moldovan wine industry.
<b>Ionela Ciuhrii</b> May-June 2007s	Statistics and Marketing Specialist	Worked in the team of foreign consultants during the pre-strategy assessment of the Moldovan wine industry.
<b>Alexandru Belschi</b> May-June 2007s	Wine Marketing Specialist	Worked in the team of foreign consultants during the pre-strategy assessment of the Moldovan wine industry.
<b>Constantin Stratan</b> May-June 2007	Winemaking Specialist	Worked in the team of foreign consultants during the pre-strategy assessment of the Moldovan wine industry.
<b>Finance Sector</b>		
<b>Michael Gold</b> October 2006	Finance Specialist <i>Crimson Capital</i>	Addressed regulatory issues related to POF with NBM and assisted with 1 <sup>st</sup> POF training
<b>Rick Currie</b> October 2006 December 2006 February 2007 July 2007	Finance & Banking Specialist <i>Crimson Capital</i>	Lead the POF program with all partner banks.
<b>Veaceslav Bantea-Croitoru</b>	Local consultant-lawyer	Analyzed the drafts of POF documents developed by CEED and provided

<b>Consultants</b>	<b>Technical Area</b>	<b>Activities</b>
November 2006 June 2007 September 2007		recommendations to partner-banks in preparing their whole POF packages, in compliance with Moldovan legislation. Provided recommendations to Moldindconbank. Advised on floating charge issue for leasing companies.
<b>Frank Lever</b> January-February 2007 <i>Crimson Capital</i>	Leasing Expert, <i>Crimson Capital</i>	Assessment of IMC Leasing's strengths and weaknesses concerning entering the commercial leasing and development of the general guidelines of operational principles for the financial leasing.



## SECTION IV

### Technical and Administrative Support

This section outlines CEED's Year 2 technical and administrative support, focusing on project communications activities, Strategic Activities Fund activities, and administrative and financial management systems and support.

#### A. Project Communications

In Year 2, CEED set as a goal to communicate regularly to three stakeholder groups: USAID, U.S. Embassy and the U.S. taxpayer; private sector stakeholders; and the Government of Moldova.

Communications to U.S. stakeholders improved significantly from Year 1. In addition to regular meetings with the project CTO, CEED managed to:

- Produce **8 success stories** – 7 in final print form, which have been included throughout this report, and 1 about CEED client Covoare-Ungheni, which was placed on USAID/Moldova's website;
- Secure **6 E-Spotlight entries** from 11 submissions which were provided to USAID;
- Receive excellent coverage in one of RCI's newsletters (September 2007);
- Facilitate **6 site visits** for visiting USAID or State Department VIPs (see table below);



*Ms. Marta Youth from the U.S. State Department witnesses firsthand the impact of CEED assistance to Filatura-Ungheni with CEED advisor Ms Maria Gheorghita and company director Mr. Valerii Andrusca.*

Guest(s) of Honor:	Site Visit Location:	Date:	Accompanied by:
<b>Steve Allen</b> Regional Legal Advisor USAID/Ukraine, Moldova, Belarus	Visited Lion Gri winery	March 2007	<b>Irena Yurchenko,</b> USAID/Ukraine <b>Sergiu Botezatu,</b> USAID/Moldova
<b>Peter Argo</b> Deputy Mission Director USAID/Ukraine, Moldova, Belarus	Visited Covoare- Ungheni yarn and rug factory and Acorex winery	March 2007	<b>Michael Burkly,</b> USAID/Moldova <b>Sergiu Botezatu,</b> USAID/Moldova <b>Rodica Miron,</b> USAID/Moldova
<b>Douglas Menarchik</b> Assistant Administrator - E&E, USAID/Washington	Visited Chateau Vartely and Acorex wineries and Covoare- Ungheni yarn and carpet factory	May 2007	<b>Kelly Keiderling,</b> US Embassy <b>Gary Linden,</b> USAID/Ukraine <b>Richard Dangler,</b> USAID/Moldova <b>Blake Chrystal,</b> USAID/Moldova <b>Michael Burkly,</b> USAID/Moldova <b>Sergiu Botezatu,</b> USAID/Moldova

<b>Guest(s) of Honor:</b>	<b>Site Visit Location:</b>	<b>Date:</b>	<b>Accompanied by:</b>
<b>Alexandra Braginski</b> Moldova Desk Officer USAID/Washington	Visited Mobile SRL apparel factory	June 2007	<b>Rodica Miron,</b> USAID/Moldova
<b>Robert Boehme</b> Director, Office of Ukraine, Moldova and Belarsu Affairs US Department of State	Visited Lion Gri winery	September 2007	<b>Ernest Abisallan</b> US Embassy <b>Rodica Miron,</b> USAID/Moldova
<b>Dan Rosenblum</b> Acting-Coordinator US Department of State  <b>Marta Youth</b> Coordinator US Department of State	Visited Acorex winery and Covoare-Ungheni yarn and carpet factory	September 2007	<b>Gary Linden,</b> USAID/Moldova <b>Blake Chrystal,</b> USAID/Moldova <b>Rodica Miron,</b> USAID/Moldova

Concerning communication to private sector stakeholders and the general business community, this was accomplished through informal means, such as participation by CEED representatives at roundtables and conferences targeting the business community, especially CEED's target sectors. However, CEED also undertook the following:

- Organized **10 roundtables/workshops** for sector businesses, including 2 in the ICT sector, 2 in the TA sector, 3 in the wine sector; 1 in the finance sector; and 2 for all sectors to discuss lobbying and advocacy techniques and strategies. (These do not include meetings which involved limited stakeholder groups, rather these were events open to all stakeholders.);
- Issued **8 press releases** through InfoTag or other sources, including USAID/Moldova website;
- Published **5 article and/or expert interviews** in local media outlets, including Logos Press (2), Business Class magazine (2), and Profit magazine (1); and
- Negotiated with InfoTag to place the USAID/CEED logo on their website with a link to the CEED project description on the USAID/Moldova's website.

Next, concerning communication with the Government of Moldova, most of this occurred only as needed because CEED's work does not focus directly on public sector stakeholders. Thus in this area we were not as proactive with formal meetings, etc. as we'd planned. However, as part of the project's support for regulatory reform, frequent meeting were organized with ministry or agency stakeholders, including formal meetings by the COP, CTO, and Competitiveness Advisor to kick-off this activity. Similarly, CEED met several times with Moldova-Vin to discuss the pre-strategy assessment and other matters, and with the Ministry of Industry to discuss support on the Light Industry Program.

In addition to meetings with the relevant state bodies responsible for CEED's target sectors, project representatives also met with on a few occasions with the Ministry of Finance to discuss the Mid-term Expenditure Framework; the Ministry of Education to discuss a joint project to re-equip a state-run vocational school (a project which was eventually cancelled due to lack of stakeholder interest); and the National Bank of Moldova to discuss banking supervision issues related to the POF program.

## **B. Strategic Activities Fund**

The Strategic Activities Fund (SAF) complements CEED's activities and facilitates the achievement of results. The SAF serves as a flexible instrument that can be used to contract U.S., international, or Moldovan providers, such as marketing firms, think-tanks or PR firms, for necessary project activities like analyses, surveys, special events, and designs for promotional material or Websites. Activities supported by SAF funds can be used as a catalyst for growth and competitiveness within target sectors and can serve to leverage funds from clients, partners, and other stakeholders. The SAF is a critical

tool for supporting the programmatic activities of this project, as well as stimulating more local service partner participation.

In Year 2, SAF-sponsored activities were funded in one of three ways; either through fixed priced subcontracts, in-kind support through commodity procurement, or using direct funding for programmatic activities, as needed. Depending upon the mechanism used, various rules, regulations, and procedures apply. The three funding mechanisms follow:

- Fixed Price Subcontracts to private businesses, public sector institutions, and/or non-governmental organizations and associations;
- Procurement of goods from suppliers for in-kind support; and
- Direct funding of other appropriate programmatic activities as needed, see list above.

In Year 2, CEED planned to use \$145,000 from the SAF. However at year-end, total expenditures amounted to roughly \$107,000. The reason for this short-fall was that several SAF-intensive activities were cancelled or postponed, such as an ICT sector study tour (\$15,000); wine market research in Poland (\$25,000); and brand development for the G7, now known as the Moldova Wine Guild (\$25,000). Other than these deviations, SAF usage was according to the Year 2 work plan.

### C. Administrative and Financial Management

In Year 2, CEED’s contract administration and financial management systems worked well; all these were established during the first-contract year. Year 2 was also the first year that the project operated for the entire period as a legally registered entity in Moldova, under the Representative Office of Chemonics International. No problems were experienced in this regard.

Below we highlight CEED’s Year 2 performance along several relevant dimensions.

**Quality of product or service.** In Year 2, CEED has continued to provide high-quality services to our client firms, local beneficiaries, and USAID. Building on the momentum from Year 1, the CEED project has enhanced its reputation with local counterparts and expanded its portfolio of client firms in each targeted sector to include industry leaders and innovative entrepreneurs. Throughout Year 2, CEED completed several successful firm-level initiatives, while seeking out ways to bring the lessons learned and best practices to each sector as a whole. The project also implemented innovative industry-wide activities that are encouraging the growth of organic industry clusters as individual firms realize the value of collaboration. These technical activities are described in detail in Section III.

**Cost control.** CEED consistently achieved cost savings for the U.S. government by using competitive procurements and integrating cost-sharing mechanisms into most activities. By requiring cost-sharing from most client firms, which in most cases exceeds 50% of the full cost of any CEED-supported firm-level activity, the project ensures their buy-in with and involvement in technical assistance strategies. During Year 2, CEED also sought out opportunities to cost-share initiatives with other USAID project and donors, such as the EU, to leverage funds for greater impact. The table below estimates that amount of third-party financing that was leveraged for CEED’s clients.

Donor / Project	Date	Amount*	Activity
Moldova-German Business Partnership	Oct 2006	\$6,500	Systems 2006 IT trade show
EBRD / BAS	Oct 2006	\$2,000	Brand book for Ravetti
IABP-Moldova	Nov 2006	\$750	Association advocacy roundtable

Donor / Project	Date	Amount*	Activity
USAID / RCI	Feb 2006	\$5,000	Software process improvement
EU / Support to MEPO/MIDA	Mar 2007	\$10,000	ProWein trade show with Guild
USAID / ADP	Mar 2007	\$5,700	Leasing research and roundtable
UNDP / GSB	Apr 2007	\$1,000	Wool quality improvement
EU / Support to MEPO/MIDA	May 2007	\$9,050	London Wine Fair with Guild
UNDP / E-Government	June 2007	\$7,000	ICT skills gap research
USAID / RCI	Sept 2007	\$6,000	CMMI training
<b>TOTAL</b>		<b>\$53,000</b>	

\* These figures are realistic estimates based upon MOUs, etc.; however, actual amounts may vary.

Funds leverage from other projects and donors complement CEED's SAF funds; in other words, without these leveraged funds, CEED's SAF expenditures would have increased by roughly the same amount. Moreover, this amount does not include the cost of complementary consultant support (i.e. fees, travel, and per diem), nor does it factor in any indirect charges that would apply if CEED spent this money. If one considers these factors, this figure could easily be double that shown above.

Detailed information on CEED's invoiced-to-date budget figures compared to our current obligation are available in Annex A. The table below shows CEED's forecast Year 2 expenditures, as presented in the Year 2 Work Plan, against its actual expenditures for the year.

Year 2 Forecast	Year 2 Actual	Amt. of Deviation	% of Deviation
\$1,955,664	\$1,932,718	\$22,946	1.17%

**Timeliness of performance.** CEED moved ahead with activities as envisioned in the Year 2 work plan with only minimal delays on some activities. CEED focused its energy and resources on supporting those activities where the industry sectors have demonstrated the highest engagement and where the CEED team anticipates having the greatest impact. Despite the challenging environment, especially in the wine sector with the Russian ban on Moldovan wine imports, CEED has forged ahead with timely initiatives to explore new export markets, build the image of Moldovan wine, and encourage industry-wide cooperation. The project team has also implemented successful activities in the ICT sector, to strengthen firms' marketing skills and analyze the ICT workforce, and in the TA sector, to increase firm-level productivity and support efficient wool collection. Furthermore, CEED has submitted its deliverables, including consultant and project reports, in a timely fashion to USAID.

**Business relations.** During Year 2, CEED continued to be responsive to inquiries related to technical, service, and administrative issues regarding the project. The team has developed excellent working relationships with a wide range of Moldovan counterparts, including private firms, government agencies, and NGOs. The project's relations with key ministries have allowed CEED to play an integral role in improving the business environment for the firms in the targeted sectors. Through these positive relationships, CEED has also been able to attract a broad assortment of participants for project activities and invite extensive commitment in our project objectives. As a result, CEED has achieved greater impact and has communicated these results through success stories that highlight both quantitative and qualitative achievements. Relations with USAID remain strong.

## SECTION V

### Results and Impact

#### A. Quantitative Results

Indicators <sup>1</sup>	Year 1	Year 2			Cumulative (Year 1 & 2)		
	Actual	Target	Actual	Diff.	Target	Actual	Diff.
Employment, <i>FTE jobs</i> <sup>2</sup>	60	300	-477	-777	420	-417	-837
Sales, <i>\$US million</i> <sup>3</sup>	0.5	5.0	2.1	-2.9	6.0	2.6	-3.4
Cost of production vs. sales, <i>percentage reduction</i> <sup>4</sup>	--	-1.0%	-20.1%	+19.1	-1.0%	-20.1%	+19.1
Investment, <i>\$US million</i> <sup>5</sup>	--	0.6	0.2	-0.4	0.6	0.2	-0.4
Financing, <i>\$US million</i> <sup>6</sup>	--	1.5	1.4	-0.1	1.5	1.4	-0.1
Cluster strategic plans, <i>number implemented</i> <sup>7</sup>	--	1	1	--	1	1	--
Public sector commitment, <i>number of initiatives</i> <sup>8</sup>	--	3	24	+21	3	24	+21
Organizational effectiveness in advocacy, <i>advocacy focused activities</i> <sup>9</sup>	--	3	6	+3	3	6	+3
Public- private dialogue, <i>number of venues</i> <sup>10</sup>	--	1	23	+22	1	23	+22

#### Notes:

- Concerning the Actuals for the first 4 indicators, these are calculated against baseline figures for active client-enterprises only. They do not represent the performance of the entire sector.

2. The decrease of the aggregate number of **Full Time Employment (FTE)** is due to several factors and varies from sector-to-sector, but is largely attributable to the loss of jobs in the wine sector due to the wine ban imposed by Russia, which began in March 2006 and was in effect for all of CEED Year 2. Losses in the wine sector amounted to 375. In the ICT sector, FTE jobs increased by 11. In the TA sector, FTE jobs decreased by 113; however in this sector, staff turnover generates a negative influence and it is also worthwhile noting that some of this decrease may be attributed to increased labor productivity.
3. The decrease of the aggregate value of **Sales** is due to the Russian ban on wines from Moldova, which resulted \$6.5 million fewer wine sales during the reporting period. However, in ICT the sales have increased by \$1.2 million and by \$5.1 million in TA. Exports in these sectors increased by \$0.3 million and \$1.7 million respectively.

Regarding the wine sector, total exports decreased by \$2.5 million (16.3%), which is lower than the general rate of sales decrease (24.3%) for this period. This demonstrates the wineries did succeed in finding new markets, such as to the EU, to offset some of their Russian losses.

In addition, an analysis of exports to the EU also reveals some interesting information about the Moldovan wine sector. Moldova exported \$8.7m worth of wine to EU countries during the first six months of 2007, 1.6 times less than in the same period a year earlier. Why?

Romania was a huge market for Moldovan wines, esp. in 2006 when there was a grape shortage in Romania (from 2005) and lots of wine was imported in bulk. Most probably the affect of entering the EU combined with more locally available grapes (from 2006) caused demand from Romania to drop dramatically.

However, if you take out Romania and look at wine exports to all other EU countries, volume has dropped only 25%, while *value has increased by 31%* - meaning the EU is purchasing more expensive, presumably bottled wine, from Moldova. The same is true if you look at all EU countries; volume dropped 87% but value only 41%.

The available figures, from Moldovan Customs, do not tell us about what has happened to bottled wine exports in the aggregate, as the figures do not differentiate between bottled and bulk wine, but they do suggest that bottled wine makes up a larger percentage of Moldova's wine exports than it did in 2006. *One country that is particularly interesting is the UK, one of the world's most discriminating markets, where volume and value have increased 48% and 56% respectively.* All the wines sold to the UK are bottled wines, so that this shows that Moldovan wines are being sold in greater quantities and commanding higher prices. The figures do not say what is happening to Moldova's share of market in the UK, since these statistics are not available, but this would be very small in any case.

4. The indicator **Production Cost Versus Sales** decreased, as a result of increased productivity in enterprises. It was influenced by the scale effect in ICT and TA; meaning that increase in sales helped to offset the enterprises' per unit fixed costs, thus increasing efficiency.
5. The reported **Investment** is the result of technical assistance aimed at improving technology, production techniques, and staff qualification. Internal funds spent by client-enterprises to improve these areas in response to CEED consultancies were counted as "investment". All the investments are performed by the client enterprises' own resources.
6. In Year 2, the **Financing** indicator is measured through the perspective of POF loans; whereas in Year 3 and beyond this should also include leasing transactions by IMC Leasing. POF is not used only by CEED clients, since it is an option for all the bank's clients; however, the clients of the target sectors used 25.5% from the reported amount.

7. Towards fulfillment of the **Cluster Strategic Plans** target CEED counts its work with the Ministry of Industry and Infrastructure and private sector stakeholders on the *Light Industry Development Program through 2015*, which covers not only activities in the main sector, but also in related sectors, such as education, association, standardization, legal framework, etc.

In the wine sector, CEED produced a Pre-Strategy Assessment of the Moldova Wine Sector; however Moldova-Vin has not shown any leadership toward developing a national wine sector strategy as yet. Therefore it has not been counted against this indicator. CEED will continue to push sector stakeholder on this point during Year 3.

Finally, it should be noted that in all sectors, progress toward “clustering” was limited due to the lack of organization within the sectors and general reluctance on the part of sectors’ companies to cooperate on joint initiatives. Evidence of this is the lack of effective, representative industry associations in all three of CEED’s target industries, though a few associations do legally exist. Until sector enterprises realize the value of cooperation and recognize that the sectors’ future – its success or failure – depends upon all of them, donor-led clustering initiatives are not likely to succeed. As a result, CEED did not do as much as it could have in this direction; but this attitude appears to be changing, esp. in TA and ICT.

8. As regards to **Public Sector Commitment**, the report already mentions that CEED supported the process of regulatory reform within the Guillotine II Law process. A detailed list of the draft reform initiatives proposed to Parliament is presented in Annex C of this report.
9. Related to the indicator, **Organizational Effectiveness in Advocacy**, there were 4 roundtables within CEED’s sectors as part of the Business Environment improvement work.
10. As regards **Public-Private Dialogue**, CEED introduced the idea of public-private Task Forces to stimulate dialogue between the public and private sectors within regulatory reform process prescribed by the Guillotine II Law. This resulted in 15 formal Task Force meetings. And during development of the Light Industry Program there were 8 working group meetings.

## B. Qualitative Results

### B1. ICT sector

- Three local software development companies have understood the need to take active steps to improve their internal processes and have joined the CEED/RCI-supported Software Process Improvement program to achieve training and certification in IT Mark. Each company needs to pay \$3,000 for this service, after cost-sharing from USAID.

### B2. Textile and apparel sector

- Due to the CEED’s technical assistance the management teams from local apparel companies producing their own labels – i.e. Olga Ceban and Vistline – changed their minds about the importance of marketing and promotion for sales increasing. They now understand that this is important for their success.
- Olga Ceban invested in new equipment and software for designers and in promoting their updated “Ravetti” brand. These investments totaled €18,000.
- Olga Ceban opened a new boutique in August 2007. This permitted them to increase sales by 110,000 MDL which constituted 61% of all company sales increase.
- After installing a CAD system with help from CEED, Dana, a garment factory from Soroca, was able to provide CM services for two new clients (i.e. Cando and Formens). The share of Dana’s CM services to these new clients now constitutes close to 50% of all sales. By adopting CAD and following through on recommendations made during the CEED-supported

productivity enhancement program, Cando has increased its business with Dana by almost 4 times, an increase worth approximately 1.7 million MDL.

- As a result of CEED's assistance, Rada, an apparel factory from Balti, changed considerable the structure of the personnel. Before CEED's assistance the company had roughly the same number of productive and non-productive employees (non-productive employees made up 47% of the workforce). However, after implementation of productivity enhancement measures proposed by CEED, Dana has reduced the number of indirect personal so that they constitute only 32% of the total workforce.
- In Artizana, a Chisinau-based garment factory, CEED's assistance on workflow optimization has enabled the company to reduce the amount of work-in-progress (or unfinished goods) by more than 2 times (from 13 days to 5 days). The optimal production flow organization lead to productivity increase and it's uniformity during the month. This resulted in sales increase more than 1.9 million MDL or by 45%.
- As a result of optimal organization of production flow in Gabiny Ltd the level of unfinished goods decreased and the productivity increased by 17.5%.

### **B3. Wine sector**

- CEED assisted two wineries Salcuta and Lion during the 2006 harvest. The wineries have received viticulture and winemaking consultations, which were aimed at improving the quality and the styles of their wines. As a result of such assistance the two companies expended their market base. For example Salcuta signed contracts with new distributors from Poland, and Romania, where around 200,000 bottles of new wines have been already delivered. Lion Gri was pursuing new customers in US and UK.
- Moldova Wine Guild, a newly formed generic marketing organization was supported by CEED on several projects, including participation at two international wine events ProWein Wine Fair, which took place in Düsseldorf Germany in March 2007 and London Wine Trade Fair, which took place in May 2007. As result of CEED's assistance the wineries had a real opportunity to get an efficient international exposure for their wines.
- CEED provided technical assistance to Moldova Wine Guild management during its formation stage and its first strategic marketing planning exercise. During the formation stage CEED invited two experts from UK who assisted them with the organizational structure. During the planning CEED financed an international marketing expert, who coached the Guild's managers through the strategic planning process. The marketing plan was later presented, discussed, and approved by the members. It will make the activity of the Guild more efficient and will increase the accountability of the Guild's management.

### **B4. Finance sector**

- In less than seven months CEED assistance facilitated 14 POF loans, totaling about US \$1.4 and enabled in sales approximately US \$1.2.
- Fincombank has achieved great success concluding by the end of September 2007 13 POF transactions, from which 3 are with companies from CEED' target sectors.
- IMC Leasing has almost the full capacity to move into the leasing of commercial equipment.

### **B5. Business environment component**

- Adjustment of the CEED objectives regarding improving business environment in targeted sectors to the process of Regulatory Reform managed by Moldovan Government during August 2006 – December 2007. Involving private sector in the process of Business Environment Improvement, their participation in Task Forces, is one of the key success of CEED Project. Applied new tools of attracting the private sector to participate in the process of Business Environment Improvement: Focus Group, structured interviews, Task Force, associations' participation in NWG, and direct dialogue with members of Parliamentary commissions

supported by the Company Attachment activity. Proposed the modification of 9 laws and 8 normative acts. All of them are included in the Draft submitted to the Parliament.

- The assistance delivered to the MII in the elaboration of the Light Industry Development Program was highly appreciated by the Ministry and by APIUS. Such kind of program is developed for the first time by the ministry and it was important to support this effort through assistance with best international practices and even through work coordination, because CEED involved private companies, APIUS and the practical local specialist and experts.
- The developed pre-strategy assessment report is a trustworthy source of information for the wine industry stakeholders, including Moldova Vin, professional organizations, and private sector and it will contribute to the elaboration of realistic industry goals and objectives.



## Financial Report – Year 2

The following table provides a summary of CEED’s financial expenditures during the previous quarter and also indicates the total expenditures as of September 30, 2007.

Items	Expenses Through Previous Quarter	July 2007	Aug. 2007	Sept. 2007	Year 2 Total Expenses	Total Expenses CEED
Direct Labor Dollars	\$367,857	\$42,432	\$50,957	\$48,846	\$510,094	\$838,916
Fringe & Overhead	\$333,328	\$40,990	\$82,481	\$45,040	\$501,839	\$814,378
Subcontracts	\$227,287	\$24,147	\$23,643	\$490	\$275,566	\$488,841
Allowances	\$89,147	\$10,108	\$19,029	\$10,509	\$128,793	\$201,816
Travel & Transportation	\$68,180	\$13,258	\$2,600	\$7,752	\$91,790	\$139,203
Other Direct Costs	\$72,154	\$6,920	\$6,175	\$11,478	\$96,728	\$179,073
Equipment	\$3,961	\$266	\$0	\$0	\$4,227	\$54,699
Training (including SAF)	\$93,333	\$10,472	\$0	\$3,063	\$106,867	\$121,695
General & Administrative	\$62,763	\$7,430	\$9,244	\$6,359	\$85,795	\$141,931
<b>Total Estimated Cost</b>	<b>\$1,318,012</b>	<b>\$156,023</b>	<b>\$194,128</b>	<b>\$133,537</b>	<b>\$1,801,699</b>	<b>\$2,980,553</b>
Fixed Fee	\$97,710	\$11,586	\$11,708	\$10,015	\$131,019	\$218,927
<b>Total Estimated Cost &amp; Fixed Fee</b>	<b>\$1,415,722</b>	<b>\$167,608</b>	<b>\$205,836</b>	<b>\$143,552</b>	<b>\$1,932,718</b>	<b>\$3,199,480</b>

Thus, by the end of Year 2, Chemonics has spent **44%** of the total contract value of \$7,288,457, and **64%** of the current obligation of \$5,000,000.



## **ANNEX B**

---

Deliverables – Year 2



## Deliverables – Year 2

The following deliverables were submitted to USAID during Year 2.

### Work Plan

- CEED Year 2 Work Plan 18-Oct-06

### Monthly Reports

- CEED Monthly Report Oct-06, 17-Nov-06
- CEED Monthly Report Nov-06, 13-Dec-06
- CEED Monthly Report Dec-06, -NA- (See Quarterly Report No. X)
- CEED Monthly Report Jan-07, 14-Feb-07
- CEED Monthly Report Feb-07, See Annex D
- CEED Monthly Report Mar-07, -NA- (See Quarterly Report No. X)
- CEED Monthly Report Apr-07, 3-Jun-07
- CEED Monthly Report May-07, 14-Jun-07
- CEED Monthly Report Jun-07, -NA- (See Quarterly Report No. X)
- CEED Monthly Report Jul-07, 17-Aug-07
- CEED Monthly Report Aug-07, 16-Sep-07
- CEED Monthly Report Sep-07, -NA- (See Annual Report, Year 2)

### Quarterly Reports

- Year 2 Qtr 1 Report (QR-5) 26-Jan-07
- Year 2 Qtr 2 Report (QR-6) 7-May-07
- Year 2 Qtr 3 Report (QR-7) 31-Jul-07
- Year 2 Qtr 4 Report -NA- (See Annual Report, Year 2)

### Annual Reports

- CEED Year 1 Annual Report 5-Nov-06



## **ANNEX C**

---

### Initiatives to Revise Law and Normative Acts



## Initiatives to Revise Law and Normative Acts

The following table lists the developed with sector associations to improve the business environment. The list is organized by sector and the specific law or normative act is cited along with a description of the benefits and results expected from the change. The columns to the left represent the status of the presentation of the proposals (Yes for presented, No for not yet presented) to the National Working Group (NWG) and the State Commission (SC) as required under the Guillotine reform framework.

INITIATIVES	BENEFITS	NWG	SC
<b>IT SECTOR</b>			
<p>1) To modify the current provisions of the Law concerning Computer Science in order to exclude the mandatory license for software development (Law on Informatics No. 7069-XIV of June 22, 2000).</p> <p>In regards to that, it is proposed:</p> <p>a) Modification of the Art.10 of the Law on Informatics in order to keep the mandatory license for services of development, maintenance and implementation of program products of state importance, while for other services of program products there was a procedure introduced providing the registration of companies providing such services at ANRTI (through notification).</p> <p>b) Abolishment of the ANRTI Regulations nr. 05 from 30.04.2002 concerning the issuance of licenses in the domain of telecommunication and computer science.</p>	<p>Money saved can be further directed to attract and train new specialists, increase of the qualification level of the existent ones, increase in business profitability and enhancement of the level of attractiveness for the foreign investors etc.</p> <p><i>Proposals for modification, mandatory license for software orders for the state represents a compromise solution reached to through debate.</i></p>	Yes	Yes
<b>TEXTILE/APPAREL SECTOR</b>			
<p>2) To modify through simplification, the reporting procedure on staff changes within enterprises.</p> <p>In regards to that, it is proposed to modify:</p> <p>a) Article 10 paragraph (2) letter e) of the Law nr.1585-XIII from 27.02.98 concerning the mandatory medical assistance insurance;</p> <p>b) Art. 27 of the Law nr.1593-XV from 26.12.2002 concerning the size, way and terms of payment mandatory medical assistance insurance premium. The administration of units, independent on the type of ownership and legal form of organization, will inform, in written form</p>	<p>Simplification of the reporting procedure on staff changes within enterprises, the reduction of costs implied by such reporting.</p>	Yes	Yes

INITIATIVES	BENEFITS	NWG	SC
(but already through fax, email or in person too) the territorial agencies of the National Company of Medical Insurances about the firing of employees until the date of 7 of the month following the one when the firing was performed (and not in maximal 15 days from the date of any modification in the staff list, as it is today).			
<p>3) To modify the current provision of the Labor Code in regards to the maintenance and payment of the average salary during the non-working holidays (Labor Code No. 154-XV of March 28, 2003).</p> <p>a) In regards to that, it is proposed to modify and amend Art. 111 of the Labor Code nr.154-XV from 28.03.03 – by introducing a new paragraph</p> <p>When holidays will coincide with non working week days, the average salary will not be kept for these days.</p>	<p>Save money, that can be further directed to attract and train new specialists, increase of the qualification level of the existent ones, purchase new production equipment, or could lead to reduced costs, increase in business profitability and enhancement of the level of attractiveness for the foreign investors etc.</p>	Yes	Yes
<b>WINE SECTOR</b>			
<p>4) To distinguish semantically, the notion “normative-technical documentation” and introduce two distinctive definitions : “normative documentation”, “technological documentation” in art.1 of the Law (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)</p>	<p>The use of the notion “normative-technical documentation” creates unclear and confusing situations when the Law is to be applied; the content of this notion can be perceived as containing various types of documents, which leaves grounds for abuses. Since the Law is not transparent from this perspective, there appear difficulties in the process of production, where these normative and technological documents are a must.</p> <p><i>Result:</i> the producers will have a legal basis that provides what specific documents are mandatory; there will be insured a coherent application of the Law and will enhance transparency from this perspective.</p>	Yes	Yes
<p>5) To introduce a new paragraph in art.7 to enhance the establishment of a more dynamic information exchange between the two regulation authorities: Moldova-Vin Agency and the Licensing Chamber and minimize the double reporting obligations of the companies of the same information to these two authorities. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)</p>	<p>Due to the lack of collaboration and information exchange between the Moldova-Vin Agency and the Licensing Chamber concerning the licensing in the wine sector, there are deficiencies in the activity of the Moldova-Vin agency that, lacking information obliges the companies holding licenses for the production and sale of alcoholic products, to communicate any intervened changes.</p> <p><i>Result:</i> it is limited the current level of bureaucracy within Moldova-Vin Agency, in the maintenance of the tracking registers of the producers, enhancing the efficiency of its activity; excludes the double information between these two institutions and simplifies the activity of license-holders.</p>	Yes	Yes

INITIATIVES	BENEFITS	NWG	SC
6) To modify art.8 by excluding the right of the Agency to approve judicial standards and the liability for their infringements. The Agency has the right, provided by Law, to promote the state policy in this domain. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	<p>The current provision concerning the “Moldova-Vin” Agency exceeding its functions, also breaks other Laws, including the Law 235/2006. The Agency cannot have the right to approve any judicial standards, but only very specific normative acts, allowed by Law and by its Status.</p> <p><i>Result:</i> It is excluded the possibility of the Agency to approve judicial standards that could affect the launch, the carrying on, suspension and cease of the business in the domain, that can be only regulated by Law.</p>	Yes	Yes
7) To provide a new wording of the art.11 paragraph.2 by exhaustively enumerating the functions of the State Inspectorate for the supervision of the alcoholic products (ISSPA), to exclude the discrepancies between the provisions of the law and ISSPA Regulations, as well as to exclude that ISSPA exercises functions that are not stipulated by Law. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	<p>ISSPA exercises functions stipulated in its Regulations, but that are not provided for by law, which contravene Law 235/2006.</p> <p><i>Result:</i> limitation of the ISSPA empowerment to those provided exclusively and exhaustively by Law. The increase of the ISSPA activity transparency.</p>	Yes	Yes
8) To introduce in art.13 par.2 the exhaustive list of licensing conditions, and to par.3- the exhaustive list of additional documents necessary to be presented to obtain the license. This modification is a must, since the licensing conditions and the necessary documents need to be transparent and regulated by Law. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	<p>Regulation of licensing conditions and needed documents through the Order of the Licensing Chamber contravenes Law 235/2006.</p> <p><i>Result:</i> The exhaustive listing of licensing conditions and of documents requested by law will confer stability, predictability in the performance of a licensed activity and excludes the groundless and abusive modification of these by the licensing body.</p>	Yes	Yes
9) To exclude the licensing condition concerning the registration of trademarks at AGEPI and the respective obligation provide din art.4 letter. d). (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	<p>The decision to register the trade mark to secure protection is a right of only the owner and cannot be an obligation.</p> <p><i>Result:</i> there are avoided the costs for registration and it is insured more flexibility in the promotion of the trade marks and in the performance of the business.</p>	Yes	Yes
10) To introduce the possibility to hold minimal production capacities based on a financial leasing contract, and not exclusively in private property, as provided by the current licensing condition. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	<p>The exclusive private ownership of minimal production capacities is not justified within market economy relations and represents an impediment for the dynamic development of the business and of investments.</p> <p><i>Result:</i> the modification will allow a wider access to licensed activity; will stimulate the innovation, development, investment in the wine sector</p>	Yes	Yes

INITIATIVES	BENEFITS	NWG	SC
11) To exclude the licensing condition concerning the marking of the alcohol production with quality marks, as established. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	The quality mark is an optional attribute of the product, and the company owning the right to the quality mark cannot be withheld from using it during the presentation of the product.	Yes	Yes
12) To exclude the mandatory performance of the preventive technical testing and the procurement of the respective note from ISSPA in order to obtain the activity license, and to exclude, respectively, this empowerment of ISSPA from art.11 par.2. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	The performance of the technical testing implies bureaucracy, is inefficient and provides for corruption and lack security when purchasing a license.  <i>Result:</i> it is ensured the rapidity of license procurement, it is avoided the double checking of the companies, it is removed the corruption factor.	Yes	Yes
13) To exclude that in order to procure the license, it is mandatory to present the following: the certificate of the fiscal body concerning the lack of Debts to the budget and the copies of study diplomas of the field specialists. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	These obligations contravene the principle of a one window. The Licensing Chamber has means to verify the fiscal situation through state info systems.  <i>Result:</i> through these modifications, it is simplified the application procedure for the procurement of the activity license and it is compliant with the declared principle of the licensing.	Yes	Yes
14) To modify art.16 par.2 by excluding the right of the Licensing Chamber to withdraw the activity license. It is proposed to stipulate that the license can be withdrawn only by court trial. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	This modification is performed to follow the principle of equity stipulated by Law 235/2006.  <i>Result:</i> License withdrawal represents the end of business, thus it is crucial to decide on it within an equitable process, which will ensure that the rights are respected and will exclude abuses or mistakes by the licensing body.	Yes	Yes
15) To introduce a new Chapter 6 regulating labeling and the empowerment of the Counsel to approve the exterior aspect of the alcoholic products. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	Labeling standards for alcoholic production influence the performance of the business and, based on the Law 235/2006, it is necessary to include these in the Law 1100/2000. The empowerment of the Counsel to approve the exterior aspect of alcoholic products is not established by law. There is no normative act published in the Monitorul Oficial that would regulate the empowerment of the Counsel. This situation contravenes to the principles of the Law 235/2006.  <i>Result:</i> More transparency and predictability. The Counsel for exterior aspect approval will act based on a legal basis and its decisions will be contestable through administrative dispute.	Yes	Yes

INITIATIVES	BENEFITS	NWG	SC
16) To introduce a new Chapter 6 <sup>1</sup> that would regulate the certification of the alcoholic production as well as the empowerments of the Central Tasting Commission. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	The certification of alcoholic products is not regulated by the Law 1100/2000. The empowerment of the Central Tasting Commission is not established by Law, but only by an Order of the Moldova-Vin Agency, which contravenes Law 235/2006. The functions of the given body must be rapidly and exhaustively provided for by Law to avoid abuse of empowerment and ensure transparency in decision-making.	Yes	Yes
17) To introduce 5 new paragraphs to article 23 of the Law 1100/2000 that would regulate the procedure of the preliminary notice procurement concerning the right to import Ethyl alcohol and it is being mandatory. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	<p>The need and procedure of procurement of the preliminary notice from „Moldova-Vin” Agency for the right to import ethyl alcohol contravenes Law 235/2006, since it is regulated through an order of the Moldova-Vin Agency and needs to be regulated by law.</p> <p><i>Result:</i> it is legalized the need of the preliminary notice for the right to import ethyl alcohol and the procedure of its procurement becomes more predictable and accessible. The notice will be issued free of charge.</p>	Yes	Yes
18) To modify par.3 art.27 and exclude the possibility to regulate the export of alcohol production through a Governmental Decision, but to allow it only through Law. It is proposed to introduce 3 new paragraphs to art.27 that would regulate the cases that could represent exceptional situations, in the meaning used in Law 1031 concerning the state regulation of the external commercial activity. (Law nr. 1100-XIV from 30 June 2000 concerning the production and circulation of ethyl alcohol and alcoholic production)	<p>The Government does not have the right to regulate the export of alcohol production, except for exceptional situations. The current provision contravenes to Law 235/2006 and to the Constitution of the RM, economic freedom. The export of alcohol production can be regulated or subject to some restrictions only through law.</p> <p>To avoid the abuses of the Government in the interpretation of the Law 1031, exceptional situations that can arise in the wine branch should be listed and examples should be provided.</p> <p><i>Result:</i> it is limited the interference of the Government in this branch and the abuses that can limit exports. There are ensured wider guarantees to the companies, due to the exact fit of the exceptional empowerment of the Government and exclusive empowerment of the Parliament.</p>	Yes	Yes
19) To substitute, throughout all the Law, the words “recognized geographic indication” by the words „geographic indication”. (Law of vineyard and wine nr.57-XVI from 10 of March 2006)	<p>This new classification category produces an artificial complication of the system of intellectual property rights and contravenes Law 588 concerning marks and names of origin and international treaties, being useless.</p> <p><i>Result:</i> the modification has as a purpose avoiding the legislative incoherencies and the occurrence of confusion for consumers, and the harmonization of the national normative framework to the community one.</p>	Yes	Yes

INITIATIVES	BENEFITS	NWG	SC
20) To modify art.2 by modifying the wording of some definitions and by introducing new notions as well as by excluding useless definitions.	<p>The following definitions are in need of re-wording: “wine region”, “name of origin”, “controlled name of origin”, “natural wine”, specifically in adjustment to the community regulations and to avoid semantic collisions and confusions.</p> <p>There are two definitions introduced: “unfermented wine juice” and faulty (counterfeit) wine product” to improve the legislation and ensure a standard efficient and coherent basis.</p>	Yes	Yes
21) To exclude letter. m) from paragraph.2 art.36.	<p>The exclusion of letter m) is imperative, since its application constitute a direct immixture in business performance, creating instability and hardship and contravenes to principles of Law 235/2006.</p> <p>This standard represents premises for corruption, since the license can be withdrawn from any enterprise for an action that, by absurd, does not even constitute an object of an administrative penalty, for any error or mistake in the application of the law.</p> <p><i>Result:</i> a clearer and more precise regulation and the limitation of the grounds to withdraw the license and apply penalties, the limitation of the abuse on behalf of control bodies.</p>	Yes	Yes
22) Both laws: law 1100/2000, 57/2006 are brought to compliance with the principles of the law 235/2006 concerning the legislative technique with the exclusion of the mentions of reference that are vague, imprecise, for example: „and other normative acts”, „as established by the law in force”, „other functions or empowerment assigned by the law in force”, etc.	<p>These adjustments of legislative techniques are important due to the lack of precision and coherence created by the current wording. The law lacks transparency and content, using references to non-specified normative acts, which implies that the Law lacks practical application finality, as well as allows that normative acts can regulate important aspects.</p> <p><i>Result:</i> more predictability, precision, readability of the Law, the limitation of abuses and incoherencies between normative acts of different levels.</p>	Yes	Yes
23) Exclusion, throughout all the Law of product names: “Cognac, Champaign.”. (Fiscal Code of the Republic of Moldova).	<p>The use within the Fiscal Code of product names: „cognac, Champaign” for the printing on the excise marks contravenes to international treaties and to the legislation of Republic of Moldova.</p>	Yes	Yes

INITIATIVES	BENEFITS	NWG	SC
<p>24) To exclude letter c) par.2 art.7 and introduce a new article 101 that would establish that, licensing conditions are regulated by Law. (Law nr.451-XV from 30 July 2001 concerning the licensing of some types of activity)</p>	<p>Licensing conditions are material standards regulating business and need to be regulated and established by law only and not by the Order of the Licensing Chamber.</p> <p><i>Result:</i> it is excluded the actual existence of implications and interpretations, that result in the occurrence of abuses, lack of predictability in the entrepreneurship activity performance and hardship in the business development.</p>	Yes	Yes



**ANNEX D**

---

Monthly Report – February 2007





**USAID**  
FROM THE AMERICAN PEOPLE

**Competitiveness Enhancement and  
Enterprise Development (CEED)**

**Date:** March 14, 2007  
**To:** Sergiu Botezatu, CTO, CEED Moldova  
**From:** Douglas Griffith, CEED COP  
**Cc:** Larisa Bugaian, CEED Monitoring & Evaluation Coordinator  
**Re:** Monthly Progress Report, February 2007

---

The following is a summary of CEED's activities during February 2007.

**A. PROGRAM MANAGEMENT ACTIVITIES**

This month CEED team continued implementing the activities started during the previous period and also initiated several new activities.

**B. TECHNICAL ACTIVITIES SUMMARY**

**B1. BUSINESS DEVELOPMENT COMPONENT (Component 1)**

**B1a. Information Communications Technology (ICT) Sector**

- *National On-line Payment System.* The tender for selection of the consulting firm for market research of Online Payment System customer base is finalized. Envelopes are open and selection will take place in March.
- *ICT Skills Research.* The collection of CVs for local consultants for the ICT Skills Research was done. Recruitment for an international consultant was ongoing.
- *Seminar on Software Process Improvement.* With the European Software Institute (ESI) Center Bulgaria, CEED organized a seminar on Software Processes Improvement, which was delivered and appreciated by Moldovan IT companies. 5 companies showed their interest to go forward with implementation of CMMI and IT mark in their companies.
- *Public Relations and promotion activities.* An international consultant for promotion of Moldovan software products was found and is expected to come to Moldova in March.

**B1b. Textile/Apparel Sector**

- *Consolidation of the Moldovan apparel company's positions on the local market.* The selected consulting firm completed a marketing research of the local market of lingerie. The results of marketing research of consumer preferences will serve for "Olga Ceban" managers as high quality data for an efficient promotion campaign and further operational decisions regarding product pricing and design.
- *Using the cut-and-make (CM) scheme to increase the productivity.* Local consultant, Damian Usanli, made a presentation of the results of assistance provided to two apparel companies (RADA and DANA) to implement international STTA's recommendations for improving productivity. At the presentation was present the representative of USAID Moldova Sergiu Botezatu, the COP of CEED Project Douglas Griffith, the representative of DANA's Board of Directors, the DANA's Executive Director and Technical Specialists. In addition, CEED began a second round of assistant to CM companies when international STTA John Haycock

made the productivity audit of three apparel companies GABINY SRL, EUROTTEXTILE SRL and ARTIZANA SA and presented for implementation the Action Plan for each company.

- *Assisting to increase yarn quality and productivity in Covoare-Ungheni.* The international spinning specialist Kevin Lordan presented the report with recommendations for efficiency improvement in spinning department of CU. CEED translated the report and delivered it to the company in order to implement the proposed recommendations.
- *Assisting in organizing apparel production processes for start-up enterprises.* The international STTA John Haycock made an audit for a new start up company MOBILE SRL in order to be effective in the long term. He also developed an Action Plan so that the appropriate procedures would be embedded into the culture of the company
- *Support for the wool collectors and sheep farmers.* CEED made the feasibility study of the wool yarn value chain: Covoare Ungheni – wool collectors – sheep growers. The local STTA, Damian Usanli, prepared and presented the intermediary report regarding: (i) existing practices for sheep breeding, wool cutting, storage and transportation employed by domestic sheep growers in Southern part of Moldova; (ii) existing practices and work methods for wool collection, storage and packing applied by the local wool collectors; (iii) specific problems encountered by Covoare-Ungheni in terms of quality of Moldovan wool.
- *Increasing of unskilled work force capacity.* CEED participated in the meeting organized by IREX and made an evaluation of the Project presented by the work group of school #3 from Balti regarding the Model Center for Short-Term Training of seamstresses.
- *Other activities.* CEED assisted MIEPO in organizing visits to apparel companies for representatives of investment mission from Turkey.

#### **B1c. Winemaking Sector**

- *Participation at ProWein in Düsseldorf.* CEED hired a local designer for designing the marketing brochure and translated the texts into German. Also, CEED organized a bid and selected a printing company, which has agreed to sign the contract for printing 1,000 copies of the brochure. CEED hosted several meetings held by wineries representatives, where they discussed subjects related to joint participation at Düsseldorf wine fair.
- *Assisting with the organization of ExpoVin Moldova 2007.* CEED assisted Poliproject Exhibitions during the conference “In Wine 2007” and during the international wine tasting contest. As part of its assistance CEED invited Mr. Lou Capitaio who held the workshop on US wine marketing and sponsored all expenditures related to his presentation. The workshop was attended by more than 50 people.
- *Improving 101 wines catalogue.* CEED has decided to cover parts of the printing expenses related to the publishing of 101 wines catalogue. An MOU between CEED, Moldova Vin, and Prut International was signed. Also, CEED signed a contract with Prut International.
- *Developing new winemaking projects.* CEED staff met with Mr. Luca Zavarize in order to discuss future projects aimed at improving winemaking practices.

#### **B1d. Financial Sector**

- *Introducing Purchase Order Financing (POF).* During this period, CEED secured the approval of final POF Credit Policies and POF Procedures by the Administrative Board of Fincombank. CEED also delivered a more detailed POF presentation, which included case studies along with discussions on cash flow analysis, to credit officers of Mobiasbanca and Fincombank pilot branches, and met with credit officers from Fincombank and Mobiasbanca to discuss potential POF loan proposals from their individual loan portfolio. CEED financial sector advisor delivered a POF presentation to Fincombank branches from the Southern region. Managers and credit officers from two branches - Comrat and Cahul – attended. The team also worked with partner banks to identify and analyze potential POF clients; as a result,

the first two POF loans - in total amount of 1.75 million lei - have been disbursed by Fincombank. CEED also assisted Fincombank in designing and developing the POF marketing flyer. Finally, CEED prepared for the next assignment by Rick Currie.

- *Technical assistance to IMC Leasing on new leasing product development.* Received and analyzed the second draft of the report on leasing market research; Organized a joint meeting with the research company, CNFA, CEED, STTA Frank Lever and IMC Leasing representative and discussed the results; Assisted STTA Frank Lever in starting to provide technical assistance to IMC Leasing on new product development – leasing of equipment/machinery.

## **B2. BUSINESS ENVIRONMENT COMPONENT (Component 2)**

### **Promoting legal and regulatory reforms in CEED’s target industries**

- *Support the Development of Sector Strategies.* Met Mr. Mironescu and discussed the necessities for Viticulture, Winemaking and Wine’s Strategy development. The general approach to the mentioned strategy sent to Agroindustrial Agency “Moldova Vin”
- *Promoting legal and regulatory reforms in CEED’s target industries.* Elaborated the SOW for the second group of activities on the Business Environment Improvement activities and signed a new contract with consultant firm “Business Intelligence Service” for the Task Order No.2; Monitored and participated in the Task Force meetings; Monitored the BIS consulting activity on drafting Reform Proposals that are developed by Ministerial (Agency) Working Groups with Task Force input; Met Representatives from Ministry of Finance and discussed the general approach on involving CEED in activities of MTEF program development.
- *Enhance Private Sector Capacity for Advocacy Leading to Increased Public-Private Dialogue.* Participated in the annual meeting of the Wine making Union, discussed with wineries their involvement in the process of the business environment improvement.

## **C. UTILIZATION OF SHORT-TERM ASSISTANCE**

<b>Short-term Consultants</b>	<b>Technical Area</b>	<b>Dates</b>	<b>Activities</b>
International STTA <b>Lou Captao</b>	Wine Marketing specialist	February 16 – 22, 2007	Workshop on wine marketing in USA
International STTA <b>John Haycock</b>	Apparel expert	February 12-22, 2007	Productivity audit of CM companies
Local STTA <b>Demian Usanli</b>	Apparel production specialist	November 15, 2006 – March 30, 2007 (30 working days)	Implementation of the recommendations for improving productivity, productivity audit
International STTA <b>Frank Lever</b>	Leasing Expert, Crimson Capital	January 29 - February 13, 2007	Development of new leasing products with IMC Leasing.
International STTA <b>Rick Currie</b>	POF expert	February 4-10, 2007	Training and on-the-job technical assistance to partner banks in analyzing potential POF transactions.

## **D. RESULTS ACHIEVED AND DELIVERABLES COMPLETED**

### **Deliverables**

- Monthly Report, January 2007
- Technical Audit of the Spinning Line at Covoare-Ungheni, Consultancy Services Report
- Collective Marketing of Moldovan Wines from the “Group of Seven”: A Strategic Approach for the “Group of Seven” Wineries
- Progress Report: Purchase Order Financing – Phase III

## **E. PLANNED ACTIVITIES (March 2007)**

### **E1. BUSINESS DEVELOPMENT COMPONENT (Component 1)**

#### **E1a. Information Communications Technology (ICT) Sector**

- Start National Online Payment System Project implementation with Deeplace and Q-system.
- Plan and design further steps for Software Processes Improvement activity in partnership with ESI Bulgaria and possibly the USAID Regional Competitiveness Initiative.
- Launch of ICT Skills Research with foreign consultant, two local consultant, and one market research firm financed by UNDP.
- Initiate activity with Dekart and RitLabs to enhance their marketing and promotion activities.

#### **E1b. Textile/Apparel Sector**

- Start the assistance for Moldovan apparel company VISTLINE that has “private label” to consolidate its positions on the local market;
- Assist Moldovan apparel company INFINITY that operates using a cut-and-make (C-M) scheme to increase its productivity (continue the productivity enhancement program);
- Continue the support to wool collectors and sheep farmers (Feasibility study on wool collection/improvement project);
- Assistance in productivity increase in three apparel companies that operate using a cut-and-make (C-M) scheme proposed by the international consultant John Haycock;
- Design the AP& SOW for international STTA that will assist carpet companies MOLDABELLA and FLOARE CARPET in order to penetrate into US Market.

#### **E1c. Winemaking Sector**

- Choose potential partners for winemaking project;
- Start the wine market research in Poland;
- Research new activities such as wine branding and assisting grape growers.

#### **E1d. Financial Sector**

- Meet with Mobiasbanca management in order to ensure getting approval of the final POF Procedures by the Administrative Board of the bank;
- Work with partner banks and branches to identify and analyze potential POF clients;
- Deliver POF presentation to CEED sector advisors to enable them to identify clients in their clusters for possible POF loans, taking into account the issue of sensitivity of bank clientele and competitors;

- Explore adding of Moldindconbank into the POF program and provide the POF introductory phase of technical assistance to the bank, in case of accepting it for this program;
- Review the Progress Report and the Draft of Leasing procedures, developed by Frank Lever;
- Meet with IMC Leasing to discuss them, as well as the future assistance to be provided to the company by CEED.

## **E2. BUSINESS ENVIRONMENT COMPONENT (Component 2)**

- Continue to monitor meetings with sectors' Task Forces;
- Continue to work with subcontracted Legal Firm BIS to assist Ministries (Agency) and private sector (Business Associations) in presenting and sustaining the proposed initiatives in the National Working Group Meetings or other government body.
- Determine the needs for ST external assistance and develop SOW in order to get best practices and to harmonize sector business regulation with the European legislation.



The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.